

U.S. News & World Report

WASHINGTON

MARVIN L. STONE  
EDITOR

2300 N STREET, N.W. - WASHINGTON, D. C. 20037

May 7, 1977

Admiral Stansfield Turner  
Director of Central Intelligence  
Washington, D. C. 20505

Dear Stan:

You and your staff gave us great co-operation in clearing the interview, and we appreciate it.

A copy of the press release which will be sent to the wire services, radio and television and major daily newspapers is enclosed, and on Monday a quantity of magazines will be delivered to your office.

We enjoyed a stimulating session, and appreciated your taking the time to come over.

Sincerely yours,

*Marvin*  
Editor

MLS:h  
Enclosure

*P.S. Thanks for the nice note about the dinner. We enjoyed seeing you with us.*

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U.S. NEWS & WORLD REPORT

***Interview With Adm. Stansfield Turner,  
Director, Central Intelligence Agency***

# **CARTER'S INTELLIGENCE CHIEF SIZES UP WORLD'S TROUBLE SPOTS**

# CARTER'S INTELLIGENCE CHIEF SIZES UP WORLD'S TROUBLE SPOTS

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## *Interview With Adm. Stansfield Turner, Director, Central Intelligence Agency*

On the eve of President Carter's departure on his first overseas mission—a summit conference with Allied leaders in London—Admiral Turner took the editors of *U.S. News & World Report* on a verbal tour of danger areas around the globe.



Before joining CIA in February, Stansfield Turner, 53, had a long Navy career that included the presidency of the Naval War College and command of Allied forces in Southern Europe. He attended the Naval Academy with President Carter, and later was a Rhodes Scholar.

**Q** Admiral Turner, do you agree with the view expressed by some high officials in recent years that the Soviet Union is an ascending power and the U.S. is declining?

**A** The Soviets have their strengths, and they have their weaknesses. Their weaknesses are in economics and politics. I don't see the Soviet economy climbing to outdistance us. Our lead is so great that they cannot hope to overtake us unless our percentage of growth every year were to be a lot smaller than theirs. And that is not happening. So, in terms of raw economic power, we are not a declining power.

As for ideology, the Russians may think it is a strength for them, but I am sure we would all agree that their ideology is hamstringing them in many ways. After all, what's left of pure Marxism? Where is it practiced or believed in? You have a different brand of Communism in every country in Europe—and a different brand in Yugoslavia, a different brand in China. Even in the Soviet Union, they don't hold to it very carefully. So—no, I don't think the Soviets are on the ascendancy ideologically.

**Q** And militarily?

**A** They have a strong military position. One of the reasons they are putting such emphasis on their military strength is that they are trying to convert military power into political advantage. They have no other strengths that they can exploit in Africa and elsewhere. Military is all that they have.

**Q** Is the U.S. falling behind Russia in military power?

**A** In my view, we still have the edge in the strategic nuclear field as a result of our preponderance of warheads and the accuracy of our missiles. However, the trends are moving in the other direction because of the substantial effort the Soviets are putting into strategic weapons. If that continues, they could close the warhead gap and outdistance us in what is known as throw weight.

The complex equation as to when those trends might give the Soviets a militarily superior position is very difficult to state—given the fact that you're balancing numbers of warheads, accuracies and throw weight in the same mix.

**Q** Are the Soviets near the point where they could knock out our land-based missile force with a first-strike attack, as some strategists claim?

**A** I don't see a first strike as being anything like a rational calculation in the years immediately ahead by either side. What concerns me is the image that is created and the impact this could have on world opinion if there is a perceived imbalance in favor of the Soviets in strategic nuclear power.

So I think that, first, we must understand the nuclear strategic equation as best we can. And, second, the United

States must not let it get out of balance in fact or in perception. I don't think that the people of this country are going to let the Soviets outdistance us in a dangerous way. But we've got to be vigilant as to that.

**Q** We've heard a great deal lately about Russia's massive civil-defense program. Is there any danger that this will give them a decisive strategic advantage over us?

**A** Certainly not at the present time. I don't believe that the Soviets are near the point in civil defense where they could think that they could absorb a nuclear blow from us with reasonable loss—that is, a loss they would be willing to accept.

It doesn't seem to me that the damage to the three ingredients that civil defense protects—leadership, population and productive capacity—could be estimated by the Soviets to be small enough to make it an acceptable risk for them to initiate a nuclear war with deliberateness.

**Q** What truth is there to the report that the Russians have made a breakthrough in developing a beam that could destroy all of our missiles?

**A** The question of Soviet development of a charged-particle-beam weapon has been the subject of intensive analysis for a number of years. All the results of these studies have been made available to high-level U.S. Government officials on a continuing basis. The Central Intelligence Agency does not believe the Soviet Union has achieved a breakthrough which could lead to a charged-particle-beam weapon capable of neutralizing ballistic missiles. This question is obviously of concern to the U.S. Government, and is continually under review by all members of the intelligence community.

**Q** Aside from the idea of a first strike, are the Soviets thinking and planning in terms of actually fighting a nuclear war rather than just deterring one?

**A** The difference that I note between them and us is this: The Soviets in their planning start with cold war and think the process through all the way to a strategic nuclear war—and even to postwar recovery. We, on the other hand, tend to think from cold war to deterrence. There's less emphasis in our thinking on what happens after the nuclear weapons start going off, because the idea is so abhorrent.

It's a different psychological attitude. Maybe it comes from the fact that the Russians are from a country that's been attacked and overrun a number of times in their memory. So they have more of an inclination to think through the implications of someone attacking them.

**Q** Are they more inclined to contemplate resorting to nuclear war to achieve their political objectives?

**A** I think not. I think they have shown a rational, sensible approach to ~~negotiate SALT-type agreements~~. ~~Approved For Release 2001/09/05 : CIA-RDP80B01554R002700060001-0~~

**Q** In your opinion, where do the Soviets pose the greatest threat to the United States today?

**A** Well, you have to break that down between where our greatest interest is and where their greatest opportunity is. We have a vital national interest in Western Europe—in maintaining the NATO fabric whole and strong. The Soviet Union is trying hard to build up enough military power in Europe to give the impression that they can dominate that area. With an intimidating force on their side, they want to fracture the NATO Alliance from within by undermining the resolve of the NATO Allies. That is a serious threat—but not the most urgent.

The Soviets are pressing hardest at the moment in Africa. So, in that sense, Africa is the most urgent threat. But clearly Africa is not as vital a national interest to us as is Europe.

**Q** What is the Soviet objective in Africa?

**A** I think that, all over the world, the basically imperialistic thrust of the Soviet Union is one of opportunism. They are very adroit in the sense of pushing their opportunities wherever they develop, but not pushing them to the point where it involves a major commitment of Soviet resources or prestige if they fail.

They've found that NATO has stymied their imperialistic expansionism in Western Europe. And so they're probing each opportunity that comes up anywhere to get a foothold or friendship.

Somalia is an example of how this works. The Soviets start with a fishing fleet calling in at a Somali port. Then they offer aid to the Somali Army. The Army stages a coup, and a general takes over as President of the country. Then the

Soviets build the fishing port into a naval base—and on and on in gradual steps.

They look constantly for an opportunity for that first step—a fishing agreement or a trade agreement—and then they just keep pushing, but without committing themselves in a major way.

**Q** How successful has the Soviet Union been with this strategy?

**A** Only moderately successful. They've established three toe holds that seem to be useful to them in Africa. They've had a toe hold in Guinea for six years or so, and seem to be hanging on there. They've had one for a short time in Angola, and they're doing all right there. There's no major Soviet presence, but the Angolans are still co-operating with them. And the Soviets have had a fairly strong position in Somalia for seven or eight years, and it seems to be holding.

They're beginning to explore other opportunities—for example, in Southern and Eastern Africa with the visit of President Podgorny.

On the other hand, the Russians have failed in Egypt. They've lost a major position there. Outside Africa, they failed some years ago in Indonesia. Their relations with Syria are not as warm as they were several years ago. So they are not always adroit enough to do this well. Basically they lack the economic foundation to be an imperialistic power.

**Q** What about Ethiopia? Are the Russians establishing another toe hold in Africa at the expense of the United States?

**A** There is no doubt that Soviet ties with Ethiopia's present leftist regime are close. At the same time, however, the apparent Soviet gains in Ethiopia may lead to a deterioration in its formerly close relations with Somalia.

**Q** Are the Russians using Cubans in black Africa as a Soviet tool, or are the Cubans there for their own ends?

**A** I think it's a fine line. The Cubans are anxious to establish themselves as a leader in the "third world." The 1979 conference of nonaligned nations will be held in Havana. Thus the Cubans are anxious to raise their world image in Africa and elsewhere in the third world. However, I don't think that they could afford economically to indulge in these activities without considerable support from the Soviet Union. The Russians, by operating with a surrogate, get an opportunity to establish an African foothold without necessarily committing themselves too much.

**Q** Admiral Turner, why are we so worried about the Indian Ocean, considering the relative weakness of Soviet naval strength there?

**A** I wouldn't say their naval strength is relatively weak there. At the same time, I wouldn't say that the Soviet naval presence is formidable compared with ours, which is somewhat smaller. The difference is not overwhelming.

The asymmetry that impresses me is that the United States as well as Western Europe and Japan have a vital interest in the Indian Ocean—in the oil route which is vital to our future prosperity and security—while the Soviet Union does not have a vital interest there.

**Q** In that case, why do the Russians maintain a naval force there?

**A** I think their presence in the Indian Ocean is symptomatic of their desire to leapfrog out to gain influence in other areas of the world while they're stalemated in Europe.

Now, you can talk about their continuing naval presence in the Mediterranean as a counter to the U.S. position in the Mediterranean. You can talk about their continuing naval presence in the Norwegian Sea and the Sea of Japan as legitimate defensive concerns close to their homeland. But you can only look at a continuing Soviet presence off West Africa and in the Indian Ocean as gunboat diplomacy. I don't say that this is malicious or bad, but I am saying it's indicative

## Global Dangers Facing U.S.— Admiral Turner's Assessment

**Soviets in Africa:** This is the "most urgent threat" posed by Russia, but the Soviets have been "only moderately successful" there.

**Western Europe:** Russia is "stalemated in Europe" and therefore is trying "to leapfrog out to gain influence in other areas of the world."

**Post-Tito Yugoslavia:** "The most fragile point in the European scene today," where Soviets will "look for an opportunity and probe without getting themselves overcommitted."

**Revolt in Eastern Europe:** Even though there is a "stirring of thought behind the Iron Curtain ... I don't see a real possibility of a major fracturing of the Soviet bloc."

**Indian Ocean:** Russia has no vital interest there. The only purpose of her naval presence there is "gunboat diplomacy."

**U.S.-Soviet balance:** Russians emphasize military power because "they have no other strengths that they can exploit." The Soviets lag in economic power and ideological appeal.

**First-strike threat:** Neither superpower can rationally contemplate first-strike nuclear attack "in the years immediately ahead."



## SIZE-UP OF WORLD'S TROUBLE SPOTS

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of a change in strategy, dictated by the fact that they are blocked on land.

**Q** Do you see any danger that the Russians will be able to break the stalemate in Europe to their advantage?

**A** No, at this point I don't, although I recognize that some of our allies are facing difficult political and economic problems today.

### "INTERNAL PROBLEMS FOR SOVIETS"—

**Q** What about the situation in Eastern Europe? How dangerous is it for the Soviets?

**A** It varies from country to country. Since Helsinki, there has been a stirring of thought behind the Iron Curtain. Yet, basically, one has the feeling that the dictatorial controls in those countries will be exercised ruthlessly as requirements dictate. There could be internal problems for the Soviets—as there have been in Hungary and Poland and Czechoslovakia. But I don't see a real possibility of a major fracturing of the Soviet bloc.

**Q** Do you expect the Soviets to make a grab for Yugoslavia after Tito's death?

**A** I think that Yugoslavia is the most fragile point in the European scene today. I would think that the Soviets would look for an opportunity and probe without getting themselves overcommitted.

**Q** Do you anticipate a Russian military move to force Yugoslavia back into the Soviet bloc?

**A** That would be a very definite commitment by the Soviets, and it would be taken only as a last resort. They would try a lot of other things first before they contemplated that.

**Q** Turning to Russia's other flank—in the Far East: Are the Soviets and Chinese likely to patch up their quarrel in the near future?

**A** That is always a possibility when you are dealing with countries that operate on such an expedient basis as the Soviets did in their relations with Nazi Germany before World War II. But I don't see it on the immediate horizon. Even if it happened, I doubt if it would be anything more than an expedient. The fissure between these two countries is quite deep.

**Q** President Carter proposes to withdraw U.S. ground forces from South Korea. Will that affect China's relations with Russia or its attitude toward this country?

**A** Of course, it would have an effect on Chinese attitudes if that decision were made and executed. How important it would be will be largely dependent on how and when a withdrawal takes place—if it does—and what changes occur on the world scene in the interim. It's pretty difficult to speculate in the abstract until some policy decision is made here as to how and when it's going to take place—if it does.

**Q** Will such a withdrawal be seen as an American retreat from Asia by Japan and other U.S. allies?

**A** Again, it depends on how it's done and whether the preparatory steps can persuade those countries that it's not a retreat from Asia. Those who are looking to us for a security function out there would be bound to think of it as something of a retreat. But the *status quo* is not always the right answer. Any time you change something, it's going to be approved by some and disapproved by others.

**Q** One further point about the Soviet Union: What is your reading of Brezhnev's health? Is he about finished, as recent reports suggest?

**A** My reading of Brezhnev's health is that it's a sine curve that goes up and down. Sometimes he wears himself out a bit

or he has a particular problem, but I don't see this as a curve that's constantly declining and has a terminal date that can be anticipated. It's not such that we have to sit here and plan, "Well, in 12 months or 24 months we're bound to have somebody new."

**Q** Are there any signs of a power struggle for the succession in the Kremlin?

**A** No, I don't read the signs that way at this point.

**Q** Would a leadership change have any significant effect on Soviet-American relations?

**A** Yes, it's bound to. With a new Administration here in Washington beginning to establish an understanding with the Brezhnev Administration in Moscow, we would have to start over and feel out a new Administration over there. There would bound to be some slowdown in the development of enough understanding to proceed with things like SALT.

**Q** Turning to your own situation at the CIA, Admiral, are you handicapped in countering Soviet and Cuban activities in Africa by restrictions on covert operations?

**A** No, I've not found them a handicap at this point. There are no new limitations on our covert operations other than specific prohibitions on assassinations. I would not permit that kind of activity anyway. The point now is that there must be presidential approval before any covert action is undertaken, and Congress must be informed in a timely manner.

### "WE CAN'T ABANDON COVERT ACTION"—

**Q** Are covert operations—dirty tricks of that sort—really necessary?

**A** We can't abandon covert action. However, in today's atmosphere, there is less likelihood that we would want to use this capability for covert action. But I can envisage circumstances in which the country might demand some covert action.

**Q** What circumstances?

**A** For instance, let's say a terrorist group appears with a nuclear weapon and threatens one of our cities and says, "If you don't give us some money or release some prisoners or do something, we will blow up Washington, D.C."

I think the country would be incensed if we did not have a covert-action capability to try to counter that—to go in and get the weapon or defuse it.

So, although we don't exercise it today, I think we must retain some capability for covert actions that range from small paramilitary operations to other actions that will influence events.

**Q** There have been recent allegations that you have declassified reports on energy to support the President's policy decisions. Does this represent a new CIA policy of using intelligence to support White House programs?

**A** That is definitely not the case. This study was started over a year ago—before even the election. The President did not know of it until a few days before he mentioned it in a press conference.

Let me say, though, that I believe that the intelligence community should make more information available to the public on an unclassified basis. The public is paying for our work and deserves to benefit from it within the necessary limits of secrecy. Moreover, a well-informed public is the greatest strength of our nation.

I also believe that declassifying as much information as possible is a good way to provide better protection for those secrets we must hold. Excessive classification simply breeds disrespect for and abuse of all classified data. I intend to continue to declassify and publish information of value and interest to our people.

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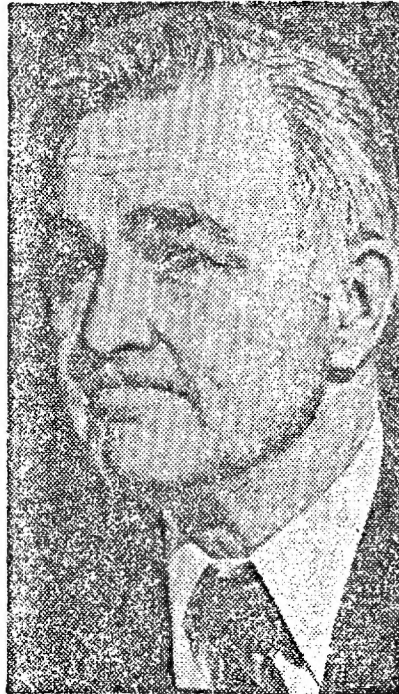
# The CIA's interest in energy

I would like to correct some of the impressions that your readers might have received from your editorial, "The CIA and the oil shortage" (April 26). It stated that "it came as a shock" that the CIA had "moved into the tricky art of estimating international oil and gas reserves." In fact, the CIA report on the "International Energy Situation" did not estimate the size of world oil and gas reserves but rather projected oil demand and supply to 1985.

Also, it should not be a "shock" that CIA is involved in the strategic considerations of the world energy situation as part of its intelligence mission. The Central Intelligence Agency has been studying international energy problems since its establishment some 30 years ago.

Originally the concentration was on Communist nations, but as the world energy shortage and higher prices developed in the 1970s, our analytical work in this area was extended to cover other parts of the world. We would be derelict if we did not do so.

CIA's role in analyzing world energy trends is well known by U.S. industry, the trade press and international agencies concerned with this subject. Indeed, every other week the CIA issues a widely distributed, unclassified statistical



ADMIRAL TURNER  
*Nothing shocking*

survey, "International Oil Developments," through the Document Expediting Project of the Library of Congress.

It is simply not true that the CIA analysis is "almost alone." Most

private and institutional projections of energy supply and demand are quite pessimistic, and in light of our analysis of the USSR and China situations, we would expect them to evidence greater pessimism.

We take exception to the remark that CIA has a "tattered credibility" and is "an easy mark for White House manipulation." Our analysts jealously protect their objectivity, and neither they nor I would accept manipulation, from any source, including the White House. There is no evidence to the contrary.

I am concerned that at a time when I am trying to make as much of our material available to the public as possible, you raise the question of motives and credibility. The public should have as much objective information as possible on issues such as the energy situation, and we will continue to declassify such reports on a variety of subjects whenever possible.

Stansfield Turner,  
Admiral, U.S. Navy,  
Director, Central Intelligence Agency  
Washington, D.C.

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MAY 16, 1977

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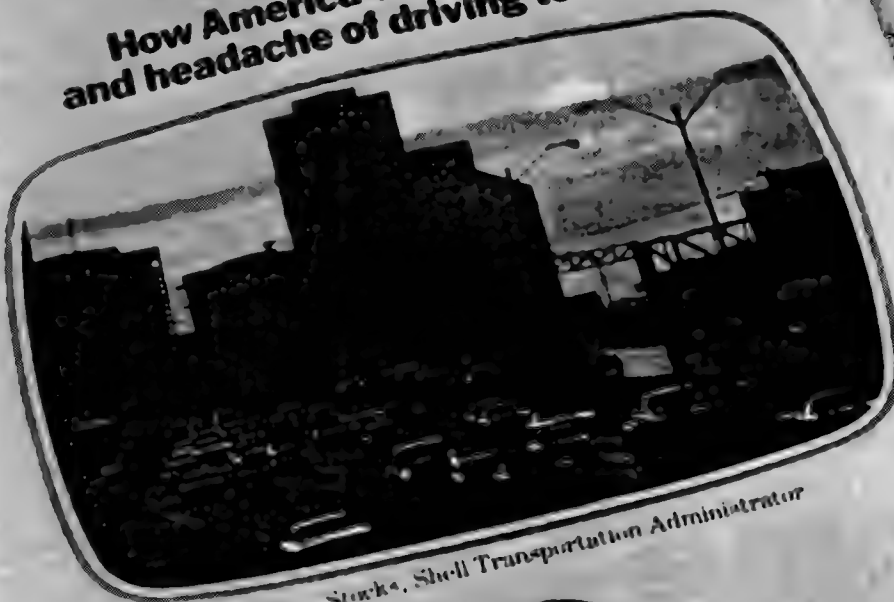
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## LETTERS

## TO THE EDITOR

**Praise for ABC's**

The 20-page special section, "ABC's of How Your Government Works" [May 9 issue], is a valuable public service and deserves our thanks and praise. I have ordered copies to supply to our local schools. If this comprehensive summary doesn't get through to the children, nothing will. What's easier than ABC?

ROSE SOMA  
Miller Place, N.Y.

**Back to Merit System**

The article on minority hiring by the new Administration [April 25 issue] reminds me again just how boring has become the practice of nose counting by sex and ethnic background. Is it not time to curtail this madness and to direct our efforts to hiring or appointing people simply on the basis of merit?

JOHN E. TEVNAV  
Boston

**Keep the Panama Canal**

I was very much disappointed in the article "As U.S. and Panama Head For Showdown Over Canal" and the editorial "Peace With Panama" in the May 2 issue. It is hard to conceive of a great and powerful nation like the U.S. surrendering legal possessions or renegotiating treaties for fear of an uprising or a revolt. The U.S. should never have agreed to renegotiate the Panama Canal Treaty. We paid a fair price when the canal was constructed and made an honorable agreement with Panama. If we are trying to admit that we obtained the treaty unfairly, then why not renegotiate the Alaskan Treaty with Russia and the Louisiana Purchase with France?

ROGER A. WILLIAMS  
Apopka, Fla.

A look around the world reveals "hostile environments" aplenty which cowardly surrenders have never improved. Thus, Marvin Stone's editorial conclusions are absolutely incorrect. Chaos is not a predictable alternative in Panama: it is a present fact. And we will never have to lose the canal if we wish to keep it. Sabotage can be repaired and Panamanian aspirations (translation: tin-horn dictators' ambitions) can be dealt with honorably—if "honor" is still in our diplomatic and military lexicon.

WILLIAM A. SOMMERMEYER  
Arroyo Grande, Calif.

Some 70 per cent of canal tonnage is to or from U.S. ports, and is vital to our

economy and the arising energy crisis. Strikes, increased fees, slowdowns, or worse, under Panamanian operation would result in increased cost of goods, to say nothing of national defense or the cost of a two-ocean Navy. If we cannot defend the Canal Zone when we are in control, how can we hope to defend our interests when the Communists are in control?

JOHN D. KIDNEY  
Little

The solution to the canal problem does not call for an abandonment of historic U.S. responsibilities on the Isthmus of Panama, but rather a firm commitment to a reaffirmation of our authority in the Canal Zone, increased capacity and efficiency of the present canal, and greater recognition of the aspirations and efforts of our citizens on the Isthmus.

I do agree wholeheartedly with the closing phrase of Mr. Stone's editorial: When "the facts are laid out, the correct decision will be made." The correct decision will be a rejection of any canal treaty along the lines of the unfortunate Kissinger-Tack Agreement.

JOHN M. MURPHY, Chairman  
Committee on Merchant Marine  
and Fisheries  
U.S. House of Representatives

**Getting the Right Education**

You paint too rosy a picture concerning a liberal-arts major meeting the needs of an employer ["Behind the Push to Revive the Liberal Arts," May 2 issue]. I have found most employers totally bewildered on discovering that I hold a degree in classics. Classical knowledge is nice, but so is a job that pays for three meals a day. I do have a job, but I must issue this caveat to those who plan to study the liberal arts: In school, liberal arts are most interesting and stimulating; in the outside world, they are difficult to explain—to anyone.

JAMES E. BULAN  
Columbus, Ohio

It's good to learn that the academics have decided to turn their vo-tech factories back into colleges. Perhaps "higher education" will mean something besides price.

HENRY G. HALLMARK  
Santa Ana

**Squeezing the Middle Class**

Frugality is bad? Entertaining at home is sad? I cannot weep for the four

middle-class families featured in your May 2 issue ["Special Report: Squeeze on the Middle Class"]. Granted, prices are high and government is wasteful, but let's shape our personal attitudes and goals more carefully. Happiness comes from doing and being, not from buying and getting.

If our children cannot go to college, they'll do something else. If we cannot have everything we want, so what? Why on earth should we?

JANIS BECK  
Fairless Hills, Pa.

The middle class has been squeezed, prodded and ramrodded; even trampled to the point of utter desperation. Most of us have lost ground during the last five years, and we're fed up. Government is "killing the goose that lays the golden egg" by disregarding and financially punishing the real producers in our society. When this group finally decides "the hell with it," the U.S. no longer will be a viable entity, and its final collapse will be almost predictably certain.

E. MYLES GLENN  
Kalamazoo

**Dignity of Labor**

Congratulations on your excellent article "Lunch Pails and Safety Shoes" [April 25 issue]. Being both a laborer and college grad, I can only agree with the article, and add that it points out a big pitfall in the American attitude toward a major problem—the dignity of labor in the U.S. today.

JOEL M. McDONALD  
Easton, Pa.

**Whose Environment?**

The editorial "A Call to All Americans" [April 25 issue], says: "Hydroelectric dams must be built. . . Human survival comes first." Surely with a little more conservation we could do without new dams. We must think not in terms of mere survival, but in balancing needs for energy and raw materials against needs for access to unspoiled nature. Over the course of human history, man has changed the environment to suit his physical needs, leaving little in a pristine, unchanged condition. It is time to redress the balance.

DEAN W. GIBBONS  
Detroit

The time is long past when we should have realized what misguided environmentalists and courts are doing to this country by opposing the building of

# Bad roads don't come cheap.

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When money is "saved" by delaying essential maintenance and preservation work, you pay for it. Not only through the loss of your tax investment in our great road system, but through dangerous driving conditions, greater road maintenance costs, extra repair bills, and shortened life for your car.

Our nation's roads are deteriorating 50% faster than we are maintaining them. We're taking chances and beating up our cars by driving on broken pavements, crumbling shoulders, outdated

bridges and worse. And we'll end up by paying for costly rebuilding programs that could have been averted with timely, lower-cost maintenance work.

We've invested \$425 billion in the greatest transportation system the world has ever seen. But we're letting it die from simple neglect. Someone should continue to remind our legislators that stinting on road maintenance is costing far more than it saves. Bad roads cost you more than good roads every time.

## ROAD PRESERVATION... A TRANSPORTATION BARGAIN

As a motorist, shouldn't you take a stand on this vital issue now? Remember—when the roads go, we won't.

For an informative free booklet on the problem, write to The Asphalt Institute, College Park, MD 20740.



additional energy capability. The Alaska pipeline was delayed some five years, and we will pay for this for years to come. Translate such inaction into off-shore drilling, nuclear energy, the breeder reactor, coal development, hydroelectric dams, and we are going to pay far more—possibly more than we can stand.

GEORGE W. CHRISTOPHER  
*El Paso*

### Illegal Aliens

I read with great interest your special report on the illegal-alien problem [April 25 issue]. In 1971, I authored legislation, subsequently passed and signed by the Governor, which subjects an employer "who knowingly hires an illegal alien whose employment would have an adverse effect on lawful resident workers" to a maximum fine of \$500 for each violation.

Following several legal challenges, the U.S. Supreme Court last year upheld California's authority to enact this legislation. It is now hoped that California will soon begin to enforce this law, leading the way to a national solution of this most serious problem.

DIXON ARNETT, Assemblyman  
*California Legislature  
Sacramento*

Your exposition of the illegal-alien problem is impressive. Imagine the distress of Mexico's politicians when, and if, confronted with the need to really tax their wealthy, reduce the runaway birth rate and stop dumping their poor on the necks of U.S. taxpayers. You quoted a San Diego police sergeant as saying, "We just feel so sorry for those poor people." Too bad Mexico's Government doesn't feel sorry.

CATHERINE STODDARD  
*Los Angeles*

### Energy Goals and Methods

As manager and owner of a small business in a highly competitive industry which is a major energy consumer, I look upon Government devotion to the cause of energy as belated as all get out ["Energy: Will Americans Pay the Price?"—May 2 issue].

Our area has already been through three winters of curtailment. We have been attacked as wastrels by consumers, Congressmen and Presidents. But I'll bet many industries across the country can match or better our company's 35 per cent reduction in gas consumption. We have done this without the threat of Government intervention, Government help, the threat of higher taxes and comments from the likes of Ralph Na-

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# IBM Reports

## Information: there's growing agreement

Human history has long been described in terms of Ages whose names reflect the stages of development through which mankind has passed: the Stone Age, the Bronze Age, the Iron Age and so on — down to the Industrial Age, which established the foundations of our modern society.

Today, there is growing agreement that we have entered a new era, a post-industrial stage of development in which the ability to put information to use has become critical, not only to the essential production of goods, but to efforts to provide a better life for the individual, as well.

This new era is being referred to with increasing frequency as the Information Age.

### Information in the Information Age

Changes in our perception of information itself—its nature as well as its scope—have accompanied this profound shift of emphasis in our society.

Much has been written about the so-called “information explosion.” It has been pointed out, for example, that the number of technical journals published throughout the world today exceeds 100,000, and that the total body of technical information is now doubling every ten years.

At the same time as the volume of information has been increasing dramatically, our understanding of the meaning of the term information itself has also broadened—to encompass a wide variety of timely data relating to “how things really are” across the whole spectrum of human activity.

A heartbeat, for example, can be extremely meaningful information when recorded and analyzed on sophisticated electrocardiogram equipment. So can electrical impulses reflecting the load level in a power network, or numeric digits representing the availability of a seat for you on an airplane—when processed by a modern computer.

These and a wide range of similar types of data are clearly recognized today as information, the kind of information on which we increasingly de-

# that it's the name of the age we live in.

pend for the growth and health of our economy, the smooth functioning of our institutions —and, even more important, for the quality of our individual lives.

## **Information — an inexhaustible resource**

Information is one of the few resources not in danger of exhaustion on this shrinking planet. It is unique because the supply is limitless, because it actually becomes more valuable with use and because — when properly managed and applied — it can greatly enhance our use of all our other resources, natural, human and economic.

One reason, of course, that information has proved to be such a dynamic resource is the fact that there exists today a remarkable technological capacity for dealing with it rapidly and effectively.

Through a vast array of electronic tools and techniques, mankind is able to accumulate, organize, store, interpret, retrieve and transmit information on a worldwide scale, in a volume, at a speed, and with an accuracy that would have been impossible barely two decades ago.

It is also a technology that continues to grow and that has proved to be amazingly efficient in economic terms. As advance has followed advance, the cost of processing information has steadily declined. Since the 1950's, the cost of performing 100,000 calculations on an IBM computer has fallen from \$1.26 to less than one cent — and the downward trend continues.

## **Putting information to work for people**

IBM makes many different products — from computers to copiers — but clearly, the essence of our business is information.

As a company, we are committed to exploring the limits of technology to find better, more imaginative and more productive ways to help put the benefits of this uniquely valuable resource to work for people.



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**ARMSTRONG TIRES**  
**GRIP THE ROAD**

Roger Staubach

Tom Watson

Arthur Ashe



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## LETTERS *[continued]*

der. We did it with the help of every man in the plant and in response to the market—higher costs and lower supplies of natural gas.

Please, let us try the free-market approach and not talk about "Government subsidies." That is my money and that of every working citizen of this country. Let us call subsidies what they are—taxpayers' money.

Obviously I support President Carter's goals but not his methods.

THOMAS D. BROWN, *Vice President  
Brown Steel Calcanizing  
Columbus, Ohio*

Carter's energy program is an approach similar to the one our leaders took in Vietnam when they deliberately chose defeat rather than victory. Here we are choosing to humble ourselves, sacrifice, shackle our industries, increase taxes and expand bureaucratic surveillance over citizens, instead of permitting free enterprise to apply science, management and capital expertise to work out problems in a constructive manner.

MELVIN W. BUSTER  
*Chevy Chase, Md.*

### Who Causes Inflation?

The article "How Government Itself Keeps Prices Rising" [April 18 issue] was most enlightening. In view of recent criticism of Government's contribution to inflation, it is interesting to note that business in many cases pressures the Federal Government to initiate inflationary policies.

Why should the Government protect industries that are unable to compete with foreign firms under normal market conditions? Such a policy infringes on the consumer's right to purchase goods that give the most for the money, whether foreign or domestic.

GARY SCHLACHTER  
*Traverse City, Mich.*

### A Cheer for Postal Service

Your April 25 article, "U.S. Postal Service—Troubled Giant Heading for Change," was well worth the time to read. What people so easily forget is that the present services provided by our Postal Service are still superior to those offered by any other country.

GEORGE M. COSTON  
*Abuquerque*

Letters to the Editor should be sent to: Letters Editor, U.S. News & World Report, 2300 N St., N.W., Washington, D.C. 20037. All letters subject to editing.



# A WAGON BUILT TO CARRY CARGO MORE PRECIOUS THAN GROCERIES.

Any station wagon can take a load of stuff from one place to another.

The Volvo wagon, on the other hand, was designed to take a load off your mind as a parent.

Volvo realizes, for example, that it's impossible to keep both eyes on the road if you have to keep one eye on the back seat.

So to keep the kids in place, we provide you with things like child-proof door locks on *all* the rear doors. Including the back one.

And to virtually guarantee that you can focus your attention on the road at all times, we give you defrosters for the front side windows, and the rear window comes with its own wiper, washer, and defroster.

On the road, the first thing you'll notice is how quickly our overhead cam engine can put trouble behind you. Should trouble appear ahead, you'll appreciate the

way our rack and pinion steering can help

you steer clear of it. And the

our four-wheel power disc brakes.

In spite of all these precautions, we realize that accidents do happen. So we've planned for the unplanned. Where many wagons may feature a front end designed to impress the neighbors, the Volvo wagon features a front end designed to help absorb the impact of a collision.

Our passenger compartment is surrounded by a protective steel cage.

Our doors have steel tubes running through their insides for added protection, instead of imitation wood running down their outsides for frivolous decoration.

There's also a padded dashboard. A collapsible steering wheel. A gas tank designed not to rupture in a rear end collision.

Look at it this way.

There's finally a wagon that shows as much concern for your children as you do.

## VOLVO

The car for people who think

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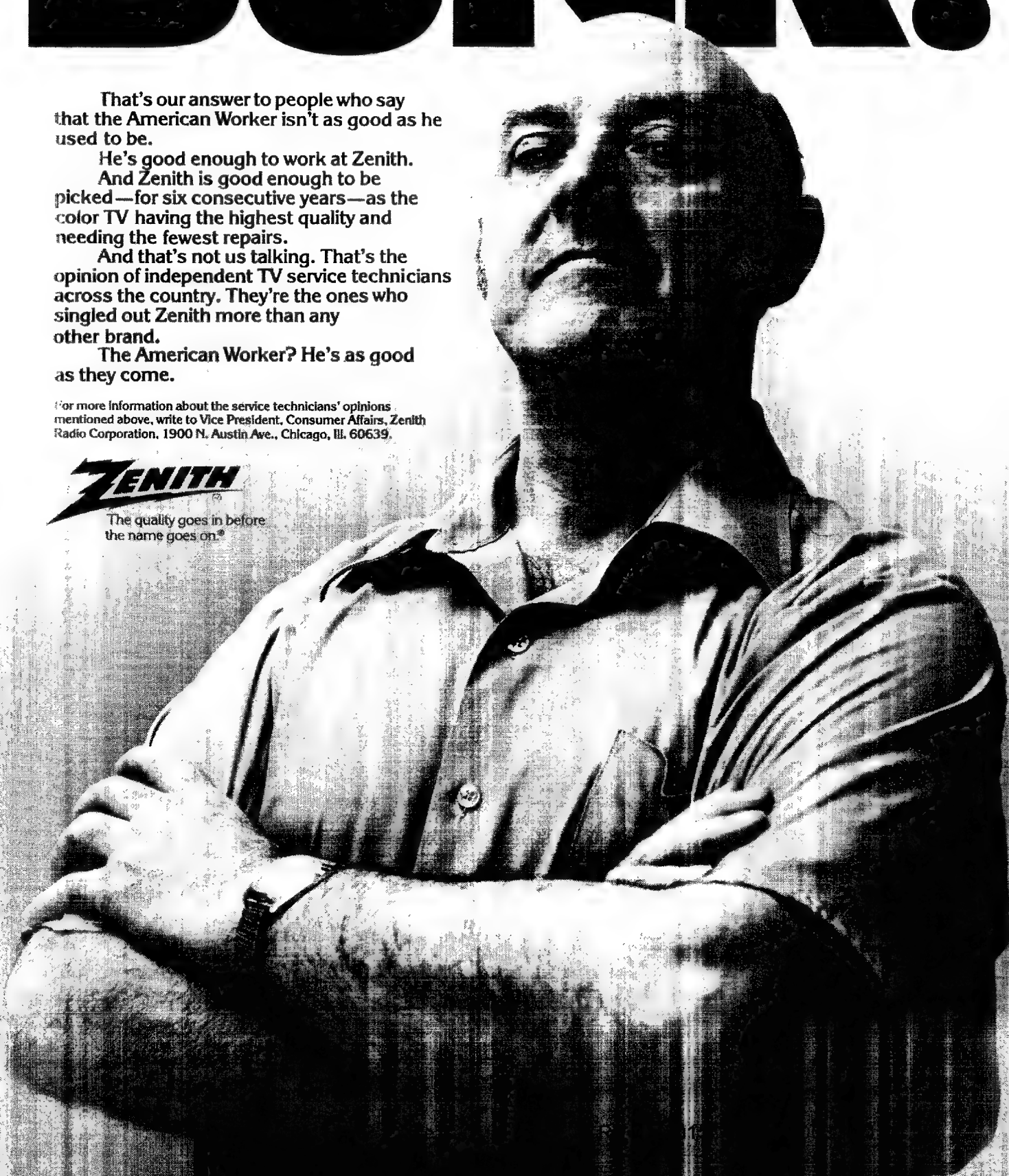
And that's not us talking. That's the opinion of independent TV service technicians across the country. They're the ones who singled out Zenith more than any other brand.

The American Worker? He's as good as they come.

For more information about the service technicians' opinions mentioned above, write to Vice President, Consumer Affairs, Zenith Radio Corporation, 1900 N. Austin Ave., Chicago, Ill. 60639.



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# Tomorrow®

A LOOK AHEAD FROM THE NATION'S CAPITAL

*Newsgram*®

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On the world stage, Carter is mingling with a mixed cast of characters.

Lasting results from London Summit depend on co-operation by these men--  
Callaghan of Great Britain: No intellectual giant, but a shrewd man of the people. His future depends on ability to get unions to hold down wage demands.

Giscard d'Estaing of France: Aristocratic, brilliant technocrat, but remote. Losing grip on political situation as Socialists and Communists gain.

Schmidt of West Germany: Cocky, confident and willing to take tough stands for German interests. Expert on economic and defense issues.

Andreotti of Italy: Courting Communists to keep his minority party in power. Needs outside economic help, or austerity program will end in chaos.

Trudeau of Canada: A charmer, but the threat of Quebec separatists and his highly publicized personal problems are eroding his popularity.

Fukuda of Japan: Walking a tightrope as economic conditions slide, other countries fight Japanese exports. Power of opposition parties is growing.

Then there are the giants of the Communist world . . .

Brezhnev of the Soviet Union: Vain, but a team player. Gets Politburo backing before he moves. Old for his 70 years and ailing--heart and painful jaw troubles--but keeps coming back. Loves fast cars and gadgets.

Hua Kuo-feng of China: Cautious, shrewd. Concerned more with order and economic growth than with ideology. Least-known of world leaders.

In working for a Mideast settlement, Carter must deal with . . .

Peres of Israel: Arrogant, articulate, able administrator. Hard-liner on defense. Expected to turn more flexible if he wins May 17 election.

Sadat of Egypt: Clever moderate. Concentrates on international affairs, but is constantly in hot water because of volatile domestic situation.

Assad of Syria: Wily, skillful diplomat. Becoming a key figure in Arab politics. Faces serious but manageable economic problems.

Hussein of Jordan: Written off a dozen times, he always bounces back. Personally courageous. His big worry is more the Palestinians than Israel.

Khalid of Saudi Arabia: Using oil money to modernize the country. But he is seriously ill. A power struggle over his successor is almost certain.

All over the world Carter finds leaders whose ideas of human rights are primitive, to say the least. For example:

Park of South Korea: Politically inflexible. Keeps the economy booming, but maintains his grip by waves of crackdowns on domestic opponents.

Idi Amin of Uganda: Unpredictable dictator with high potential for

violence and mass killings. Mismanagement is wrecking Uganda's coffee economy.

As Carter is finding out, the world is a complicated place. In many areas, neither life nor simple virtue is worth much.

And a strong democratic leader with majority control is rare indeed.

If the Washington ethics binge continues, as many as 40,000 top Government employees will be forced to make annual public reports on income and net worth.

Congress has approved an ethics code for its members.

Next will come action on Carter's proposal requiring high-level career bureaucrats and political appointees to unveil personal information on this:

Amounts and sources of income of more than \$100.

Expensive gifts received from all but close friends or relatives.

Most property and securities worth more than \$1,000.

Also possible: creation of a special prosecutor's office to investigate charges against top federal officials, including the President. Outlook?

Good. What is good enough for Congressmen is good enough for bureaucrats.

What kind of fix will you be in if prices rise by an average of 6½ per cent a year for the next eight years as they have in the past eight?

Look behind the percentages. The 1985 price tags will not be modest--

Week's food for four: \$115, up from \$75 today, \$49 in 1969.

Hospital room per day: \$233, up from \$100 today, \$43 eight years ago.

Year in a private college: \$5,790, compared with \$3,667 today.

Cigarettes: 75 cents a pack, up from 50 cents.

Maid service a day: \$48, up from \$25.

Permanent wave: \$35 for what now costs \$25.

The effect on persons with fixed income would be drastic. The real buying power of a \$500-a-month pension in 1969 would shrink to \$184 by 1985.

Sound farfetched? Not at all. Wholesale prices rocketed up at a rate of 14 per cent a year in April, sign of big hikes ahead in tabs consumers pay.

Congress will try to lift the veil from the financial operations of charitable organizations. The proposal would force charities to tell where the money goes when they ask for contributions, would take effect in three years.

Big money is involved. Some 29 billions a year are given to charity.

Congressional passage is no cinch. Some big boys are fighting the bill.

Carter's proposed changes in Social Security would mean big jumps in payroll taxes for workers, mammoth increases for employers.

For employees, new jumps in the wage base on which they pay tax--from \$16,500 now to an estimated \$24,000 by 1982.

For business, the increases would be bigger and come faster. By 1981 employers would pay Social Security taxes on every dollar paid in wages.

General tax revenues would be tapped for the first time. They would make up fund shortages caused when the jobless rate hits 6 per cent or more.

Inflation-pushed jumps in benefits won't be as large.

Prospects in Congress: rough, although something will be done.





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But why not? Look who we stole it from.



## **Nobody Else Like You Service**



## Washington Whispers®

### Carter to Peking . . . Patricia Harris First To Go? . . . Why Jerry Brown Worries White House

Barring late hitches, President Carter will visit Peking in 1978. Planning already is under way.

★ ★ ★

*Influential Republican leaders are worried that Richard Nixon's TV appearance, by raising the specter of Watergate all over again, will do serious damage to the party just as it was starting to pull itself off the floor.*

★ ★ ★

If insiders at the Department of Housing and Urban Development are right, Secretary Patricia Roberts Harris could be the first Cabinet member to leave the Administration. She is described as having a quick temper and a low tolerance for bureaucratic ways.

★ ★ ★

*Latin-American officials are passing the word that Rosalynn Carter's June trip to their region for "substantive discussion" will be considered a slight to the pride of the nations she visits. Snorted one diplomat: "No Latin leader would send his wife to Washington to carry on substantive discussion with President Carter."*

★ ★ ★

A senior State Department official notes this change now that Cyrus Vance has succeeded Henry Kissinger as Secretary: "It's wonderful—I had forgotten what it is to have a Secretary say 'good morning' to me."

★ ★ ★

*The presence of Hamilton Jordan, chief White House political adviser, in the Carter entourage to the London Summit irritated many Administration experts involved in this country's diplomacy. The President had cut 28 foreign-policy officials from the original list of participants because of the high cost of transporting them.*

★ ★ ★

Intelligence reports that the Soviet Union is on a crash program to build

grain-storage facilities despite its own disappointing crops are feeding speculation that the Kremlin will enter the world market in a big way to build a strategic reserve of food.

★ ★ ★

*A new California Poll is adding to White House worry over Governor Jerry Brown as a threat to Carter in the 1980 presidential primaries. Democrat Brown outruns his potential Republican rivals for the 1978 Governor's race by ratios of 2 to 1 or more, capturing a third of the Republican vote.*

★ ★ ★

Several Congressmen back from a trip to China are grouching openly about "White House penny pinching" on the plane made available. Their complaint: Though there was plenty of empty space on the jet, they were not allowed to take their wives.

★ ★ ★

*Look for the Justice Department to shift tactics in its drive against smut: a tougher crackdown on interstate traffickers, especially those connected with organized crime, but less emphasis on prosecuting actors and other participants in pornographic works.*

★ ★ ★

With a May 18 date to open bids, at least 75 offers have been made to buy the presidential yacht *Sequoia*, one of the frills Carter wants eliminated from the White House. The Government put the craft up for auction after no other federal agency claimed her.

★ ★ ★

*Top presidential aides are growing sensitive over newspaper and magazine articles critical of Carter, with angriest reactions reserved for gossip-column items considered "cheap shots" at the President and his staff.*

★ ★ ★

Political analysts believe that Ronald Reagan, North Carolina's Sena-

tor Jesse Helms as his eventual successor to lead the Republican Party's conservative wing. Reagan is conducting a nationwide letter-writing drive to raise money for Helms in his 1978 re-election bid.

★ ★ ★

*Western diplomats in Moscow predict that the Soviet Union will not agree to Carter's proposals on strategic-arms limitations—dooming the mid-May SALT negotiations in Geneva.*

★ ★ ★

What worries Detroit more than any Carter energy-saving proposal announced so far is a tentative plan to change the way the Government tests mileage on new cars. The new method would reduce present figures by as much as 3 miles per gallon—forcing more autos into the gas-guzzler category, subject to heavy taxes.

★ ★ ★

*A Government insider offers this explanation of why the Administration failed to come up with a detailed plan for welfare reform, yet managed to present a complicated but complete energy package: "You had one man—James Schlesinger—putting the energy program together. With welfare, you had representatives from half a dozen agencies in charge."*

★ ★ ★

Cited as an example of loopholes in the federal campaign-finance law: Democrat Gale McGee, who lost a re-election bid as Senator from Wyoming last November, had \$113,880 left over in unused campaign funds and can legally spend all the money as long as he pays taxes on it.

★ ★ ★

*Speechwriters in Government agencies who prepare drafts for Carter have been told to keep them basic enough to be understood by ninth-grade students. Even then, the President edits the speeches to make them simpler.*

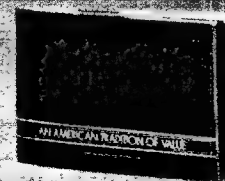
Warning: The Surgeon General Has Determined  
That Cigarette Smoking Is Dangerous to Your Health.

*Treat yourself  
to light menthol Belair.*



*And,  
treat yourself  
to gifts  
twice as fast  
with new  
Belair Double  
Coupons.*

*Send for your free gift  
catalog today.*



See over 1,000 gifts you can get twice as fast  
with Double Coupons. Now you get not one  
—but two—gift coupons on every pack of  
Belair. And a bonus of eight, instead of four,  
in every Belair carton. Send for your free  
B & W gift catalog today.

Name: \_\_\_\_\_  
(I am 21 years of age or over.)

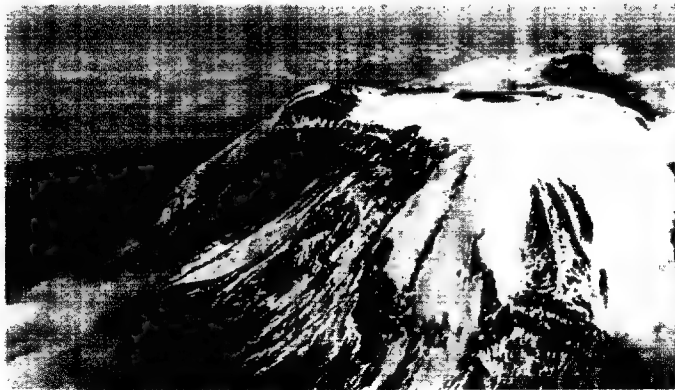
Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

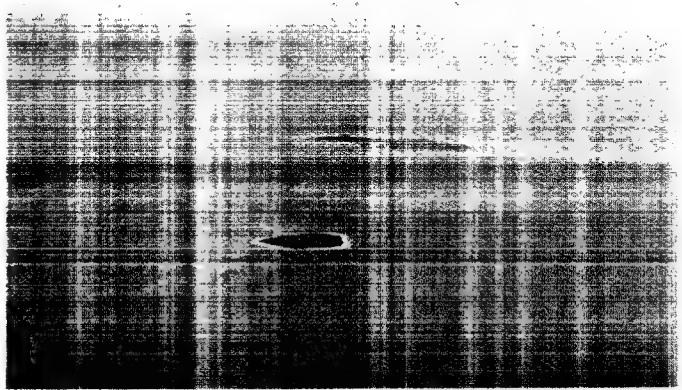
Zip Code: \_\_\_\_\_  
Mail to: Gift Catalog  
Box 12B  
Louisville, Ky. 40201

# Since 1967 six cases of Canadian Club have been hidden and never found.

## Here's where you can find them:



**Mt. Kilimanjaro.** Your driver will take you from Nairobi Airport 240 miles southeast to the slopes of Kilimanjaro. You'll climb through the Giant Heath Forest to Mandara Hut, 9,000 feet up. The following morning you'll stumble outside to stare straight up at your real work—over 10,000 feet of sliding rock, hidden crevasses, and ice avalanches. In addition to boots, ropes and ice axes, you'll need a sound heart, strong lungs, powerful legs and plenty of luck. But somewhere 19,340 feet over Equatorial Africa, a case of Canadian Club is still waiting for you.

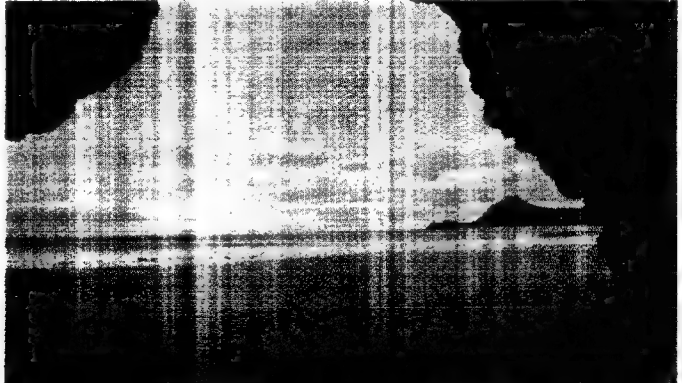


**Great Barrier Reef.** When you reach calm waters between Little Hope and Big Hope Islands you'll need all your courage before facing the deep. Beneath the warm, soothing waves of the Coral Sea lurks the world's most treacherous mass of twisted coral and rock, the Great Barrier Reef. As your captain tosses the dinghy over the side, someone will shout "Dabargo warkigo" (good luck). And you'll need it. You'll be exploring the eerie world where 200-pound clams filter the clear water. Where giant man-eating sharks patrol. And where we submerged a case of Canadian Club on August 14, 1968.

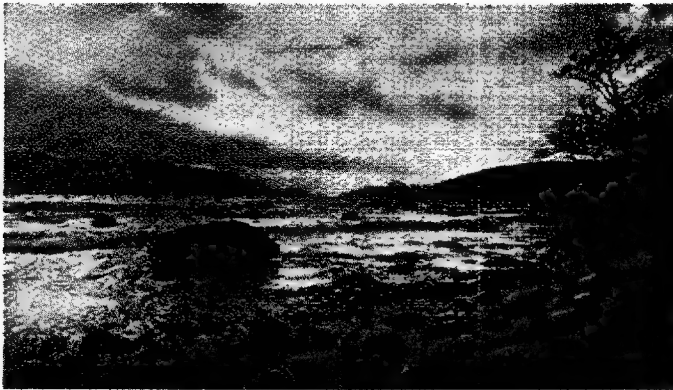


**Death Valley.** Head south out of Furnace Creek. You'll pass Badwater, a brackish pool 280 feet below sea level and as close to Hell as man on earth can get. As you cross the boundary of Death Valley National Monument turn right and look for an old road that leads straight to the hills. The road forks and becomes a wash to the right. As you glance around, notice an ancient rock through which centuries of relentless erosion have carved a natural hole. 144 paces up from that rock turn west for 13 more steps.

There, where surface temperatures of 190° can melt the soles of your shoes, 12 bottles of the wettest whisky in 67 lands lie buried.



**Robinson Crusoe Island.** Fly to Santiago, Chile, then on to Robinson Crusoe. Once there, men who run the radio shack will help you pack your gear down the side of a steep cliff to the beach. There, one of the island's handmade express fishing boats will be waiting to take you on the long trip to the other side. Several thousand six-foot waves later, you'll pull into Angel Bay. Buried somewhere inside one of the caves that spot the coastline, beneath one of the boulders thrown there by the wind storms, is our treasure. It has been waiting patiently for you since August 1, 1970.



**Loch Ness.** Fly to Inverness and then drive the few miles to Loch Ness along General Wade's Military Road until you get to the tiny hamlet, Dores. You will be at the northeastern tip of the 24-mile Loch. There's a small inn in town where you can enjoy a Canadian Club and get a good description of the monster from the owner. He and the lady who works with him have actually sighted the beast. In back of the inn, about 250

yards straight out from the dock looking toward Tar Point and about 30 yards off the perpendicular shore to your right, we dropped a sealed, watertight case of Canadian Club.



**Bigfoot's feeding ground.** Deep into the Cascade Mountains in America's Pacific Northwest lurks a massive 8-foot-tall, 500-pound humanoid they call Bigfoot. The buried case lies smack in the middle of his feeding ground, about the same number of miles south of Canada's Good Hope Mountain as it is north of Bluff Creek in California. Somewhere between 6 and 9 miles from the peak of a dormant volcano you'll find an unnatural pile of broken green rocks. From the top of this pile walk 65 paces east to a stream. Turn and walk 70 paces south. Exactly 11 inches below the virgin forest floor at your feet lies that case of Canadian Club.



Every year courageous men and women respond to the Canadian Club challenge and follow its invitation to new experiences in exotic places. But the flavor of those exotic places can be sipped from a glass, comfortably, at home or in the local tavern. Taste the smooth, light flavor of Canadian Club and taste the spirit of adventure.

*Canadian Club*

Approved For Release 2001/09/05 : CIA-RDP80B01554R002700060001-0

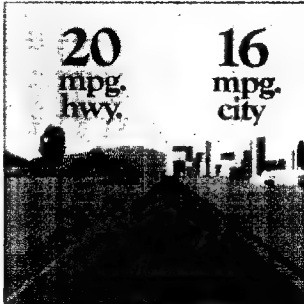
6 YEARS OLD. IMPORTED IN BOTTLE FROM CANADA BY HIRSH WALKER IMPORTERS INC., DETROIT, MICH. 86.8 PROOF. BLENDED CANADIAN WHISKY. © 1977





# The New Chevrolet.

## More of the things you want in a wagon.



**20 mpg. hwy.**  
**16 mpg. city**

**More mileage.\***  
Compared to 1976 full-size Chevrolet wagons. EPA estimates with the new standard V8 and automatic transmission.



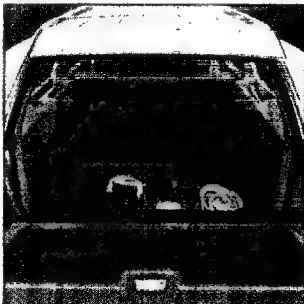
**Convenient door-gate.**  
Opens out like a door for people. Drops down like a gate for cargo.



**Roomy cargo compartment.**  
Takes loads up to 4 feet wide through a rear opening that's wider at beltline, higher overall.



**Quick, easy seat conversions.**  
A lever releases the folding third seat back. A button high on the side panel lets the second seat back fold forward.



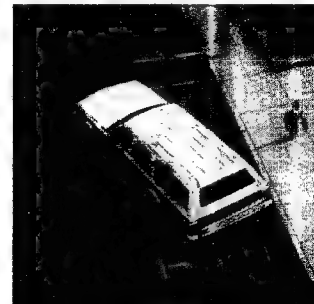
**Lockable storage under the floor.**  
8.0 cubic feet on 2-seat model. Less on 3-seat model (shown).



**Lockable storage in the side.**  
Over 2 cubic feet. Handy storage trays hold things that usually clutter seats and floor.



**More manageable in city traffic.**  
Compared to 1976 full-size Chevrolet wagons. Turning circle, curb to curb, is 3 feet shorter.



**Eliminates excess inches and ounces.**  
Uses space more efficiently. Something to appreciate as you slip into tight parking spaces.



1977 Chevrolet Caprice Classic Wagon with available Estate equipment.



## Now that's more like it.

\*The mileage you get will vary depending on your type of driving, driving habits, car's condition and available equipment. Mileage ratings are lower in California. All figures are for 1976 models.

U.S. News  
& WORLD REPORT

# WILL EUROPE FOLLOW CARTER?

**For the President, the Summit was a critical test—whether he would emerge as leader of Alliance as well as U.S. He had a lot to overcome.**

Reported from  
LONDON and WASHINGTON

President Carter, trying to stamp his own brand of leadership on the Western Alliance, finds the going is not easy.

The suspicion with which he is viewed by many abroad was fixed in the President's mind when he arrived in London on May 6 for a four-day round of Summit meetings with leaders of West Europe and Japan.

These Allied leaders implicitly acknowledge their dependence on the United States for the security of their countries and the success of common economic policies.

At the same time, in private talks they say this: The President cannot count on automatic Allied support for his policies or endorsement of his particular style of leadership.

The message takes three forms—

- Demands by the two most powerful Allies—West Germany and Japan—that the White House pay greater heed to the interests and sensitivities of its partners overseas.

- Doubts that the President can deliver on commitments to his Allies, given the penchant of the U.S. Congress to defy the White House and overturn its policies.

- Warnings that the political and economic weakness of the major Allies may undermine the cohesion of the North Atlantic Treaty Organization and hamper more-active co-operation with the



At Newcastle, England, Carter is welcomed by mayor and Prime Minister Callaghan.



The President visits American-owned glass factory during his tour of northeast England.

Prime Minister Callaghan greets Carter on arrival in London on first overseas mission.



## WHY ALLIES LOOK TO U.S. FOR LEADERSHIP

Heading into a time of economic and military jitters, Western Europe once again is turning to America for support.

For a picture of how the U.S. stands...

### COMPARING ECONOMIES

#### TOTAL OUTPUT

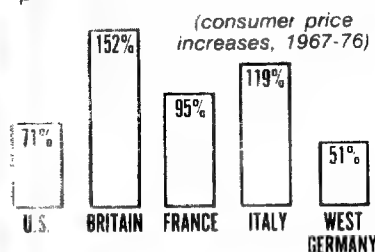
(1976 gross national product)

U.S.  
\$1.7 TRILLION

12 EUROPEAN NATO ALLIES  
\$1.6 TRILLION

#### PRICE RISES

U.S. has curbed inflation better than has most of Europe. Compared to four largest European allies —



#### TRADE

Europeans rely on U.S. as major market, key supplier —

(1976)  
U.S. SALES TO  
EUROPEAN ALLIES  
\$27.1 BILLION

EUROPEANS' SALES TO U.S.  
\$19.0 BILLION

Source: Organization for Economic Cooperation and Development, U.S. Dept. of Commerce

### EUROPE AND CARTER

(continued from preceding page)

U.S. The prospect of Communist participation in the French and Italian governments poses the most serious threat to Alliance unity under a new Carter leadership.

**Lessons for Carter.** European diplomats described the London summit as "a learning process" for the American President. They complained that in his first 100 days in the White House Carter was excessively active in foreign affairs despite his conspicuous inexperience in this field.

The result, in their view: potentially dangerous strains in U.S.-European relations, especially in the American-West German linkage that is the real

cornerstone of the Western Alliance. The prestigious British weekly "The Economist" says that the Washington-Bonn relationship "is in worse shape than it has been for 30 years."

West Germany's Chancellor Helmut Schmidt has made little attempt to hide his resentment over what he regards as the Carter Administration's strong-arm tactics and inept diplomacy generally.

The outspoken and self-confident West German leader has defied determined White House attempts to force him to reflate his country's economy faster than he deems prudent and to cancel the sale to Brazil of a nuclear-reprocessing plant that could be used to manufacture weapons. He also has complained of Carter's aggressive hu-

### COST OF DEFENSE— FOR AMERICANS AND FOR EUROPEANS

	1976 Defense Spending	Percentage of Total National Output
U.S.	\$102.7 BILLION	5.9%
European NATO Allies	\$ 54.1 BILLION	3.6%

Americans paid **\$477 PER PERSON**, on the average, for defense in 1976, including the cost of maintaining large forces in Europe. Europeans paid **\$169 PER PERSON**, on the average, for defense in 1976 — just over one third of the U.S. per capita cost.

Source: International Institute for Strategic Studies

### MILITARY BUDGETS OF NATO ALLIES

	1976 Defense Outlays	Percentage of Total National Output	Spending Per Person
WEST GERMANY	\$15,220,000,000	3.7%	\$242
FRANCE	\$12,857,000,000	3.9%	\$241
BRITAIN	\$10,734,000,000	4.9%	\$190
ITALY	\$ 3,821,000,000	2.6%	\$ 68
CANADA	\$ 3,231,000,000	2.2%	\$140
NETHERLANDS	\$ 2,825,000,000	3.6%	\$205
TURKEY	\$ 2,800,000,000	9.0%	\$ 70
BELGIUM	\$ 2,013,000,000	3.0%	\$204
GREECE	\$ 1,249,000,000	6.9%	\$138
NORWAY	\$ 902,000,000	3.1%	\$223
DENMARK	\$ 861,000,000	2.2%	\$168
PORTUGAL	\$ 748,000,000	6.0%	\$ 85
LUXEMBOURG	\$ 23,000,000	1.1%	\$ 68

Source: International Institute for Strategic Studies

man-rights policy, which he fears could damage his own attempts to improve conditions in Communist East Germany.

In the wake of the London summit, Carter's first order of business is clear—if he hopes to exercise effective American leadership. What is needed, in the judgment of diplomatic observers, is a concerted White House effort to repair the damage in American-West German relations and to develop close co-operation between the President and Schmidt.

**Soothing some feelings.** Even before he left for London, Carter appeared to be moving to defuse the feud with Bonn. In an interview with European television reporters, he seemed to be reconciled to West Germany's sale of a nuclear-reprocessing plant to Brazil.

The President is bent on blocking such sales, because the installations can be used to produce nuclear weapons as well as fuel for nuclear reactors.

In the TV interview, Carter said: "We are not going to try to impose our will on other countries." He expressed the hope that "our objection to this sale . . . will curb or prevent future sales of this kind being consummated."

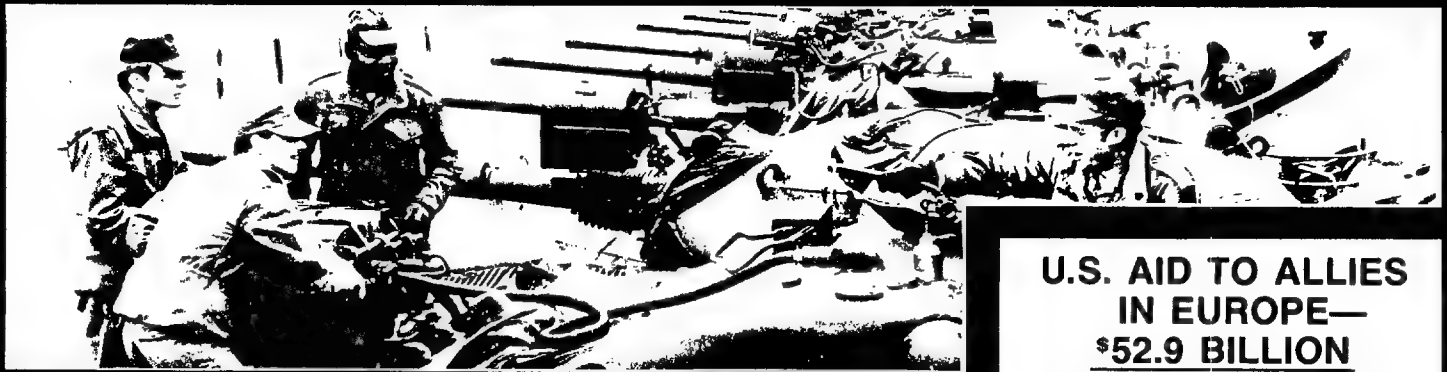
Another bone of contention between the U.S. and West Germany may be removed if an apparent shift in the Administration's human-rights policy continues. The White House now seems to be avoiding intervention in individual human-rights cases in the Soviet Union and moving toward a more low-key approach to the whole problem.

Yet to be seen is whether Carter is

willing and able to rehabilitate the special Bonn-Washington relationship that a British commentator describes as "the crossbeam of the Western Alliance."

**"A curious disregard."** Diplomats in Washington have been puzzled by Carter's decision, apparently for sentimental reasons, to give priority to the special relationship with Britain, one of the weakest members of the Alliance, while relegating West Germany, America's strongest European partner, to a subordinate status.

In the words of one knowledgeable diplomat: "Carter pointedly placed the British Ambassador at the head of the queue of White House visitors while the West German was well behind. And Britain's Prime Minister Callaghan was among the first to be invited for a meet-



### MEN AND WOMEN IN UNIFORM, COUNTRY BY COUNTRY

	Population	Armed Forces	Share of Total Population in Armed Forces	Army Draft Term
U.S.	215,120,000	2,086,700	1.0%	No draft
European NATO Allies	319,960,000	2,698,200	0.8%	
WEST GERMANY	62,790,000	495,000	0.8%	15 months
BRITAIN	56,440,000	344,200	0.6%	No draft
ITALY	56,250,000	352,000	0.6%	12 months
FRANCE	53,350,000	512,900	1.0%	12 months
TURKEY	40,130,000	460,000	1.1%	20 months
NETHERLANDS	13,810,000	112,200	0.8%	14 months
BELGIUM	9,880,000	88,300	0.9%	9-11 months
GREECE	9,050,000	199,500	2.2%	28-32 months
PORTUGAL	8,770,000	59,800	0.7%	15 months
DENMARK	5,110,000	34,700	0.7%	9 months
NORWAY	4,040,000	39,000	1.0%	12 months
LUXEMBOURG	340,000	600	1.8%	No draft

Source: International Institute for Strategic Studies

### U.S. AID TO ALLIES IN EUROPE— \$52.9 BILLION

#### SINCE WORLD WAR II

Received From U.S.  
1946-76

BRITAIN	\$10.2 BILLION
FRANCE	\$ 9.9 BILLION
TURKEY	\$ 7.6 BILLION
ITALY	\$ 6.7 BILLION
WEST GERMANY	\$ 5.2 BILLION
GREECE	\$ 5.0 BILLION
NETHERLANDS	\$ 2.8 BILLION
BELGIUM-LUXEMBOURG	\$ 2.1 BILLION
NORWAY	\$ 1.7 BILLION
DENMARK	\$ 1.0 BILLION
PORTUGAL	\$ .7 BILLION

**TOTAL ECONOMIC AND  
MILITARY AID \$52.9 BILLION**

**TODAY** the U.S. sends little direct aid to Europe, but Europeans rely on American military and economic power for protection and financial stability.

Note: Years ended June 30.

Source: Agency for International Development



## CARTER'S BLUEPRINT FOR EUROPE

*In interviews with Allied reporters on the eve of the Summit, the President spelled out his views on relations with Europe. Key points:*

**NATO.** "The NATO military alliance is a cornerstone of our own national security. . . . We have among the American people an almost unanimous belief that NATO is a very beneficial commitment to us. So I see no danger of a deterioration in the NATO Alliance."

**West Berlin.** "I don't anticipate any change in our policy" of guaranteeing its independence, as the U.S. has done for the past 25 years.

**Standardized NATO arms.** "I have been concerned about the need for a more fair sharing of military supplies and weapons among the countries involved. It ought to be a two-way street, and to the extent that we can have common understandings about standardizing weapons systems, I believe that we will increase the portion that does come from the European suppliers."

**Euro-Communism.** "The first premise on which we function is that European citizens are perfectly capable of making their own decisions through the free-election process.

"Secondly, we prefer that the governments involved [France and Italy] continue to be democratic and that no totalitarian elements become either influential or dominant. And I would hope that the democratic parties would prevail during the coming years in the struggle for political authority.

"I believe that the best way we can prevent the enhancement of Communist political strength in Europe is to show that democratically controlled governments can function effectively and openly, and with humaneness and a genuine and continuing comprehension of what people need and expect from government."

**West European unity.** "We have a legitimate reticence about trying to interfere, but I will do everything I can within the bounds of propriety to strengthen those natural ties . . . that do exist now among the countries of Europe, and to strengthen them in the future."

*(continued from preceding page.)*

ing with the President, while Schmidt has to call vet at the White House. That's nice for Britain but demonstrates a curious disregard of power realities."

Even if Carter changes his priorities and his diplomatic style to cultivate a special relationship with the West German Chancellor, he still faces a credibility problem among European leaders.

That stems from the continuing effort by Congress to control foreign policy—even with a Democratic President in the White House.

"If it is seen that Congress is so powerful that no agreement concluded by the executive branch is sacrosanct," says a knowledgeable British diplomat, "then it will be difficult for the President to win confidence among Europeans or to assert his leadership."

How Europeans judge the President's credibility as leader of the Western Alliance will depend on his success or failure in securing congressional cooperation on three issues that vitally affect Allied interests:

1. **Energy policy.** Carter's plan for oil conservation in the U.S. is seen in Europe and Japan as an indispensable contribution to long-term economic stability for all and insurance against a divisive scramble for shrinking oil supplies. The issue was high on the agenda of the London summit. Defeat of major features of the President's plan in Congress would reinforce doubts about his ability to deliver on commitments to U.S. allies.

2. **Protectionism.** Carter has reaffirmed his commitment to free trade. As evidence of his determination to resist pressures for protectionism, he can cite his recent decisions rejecting higher tariffs on imported shoes and tighter quotas on foreign sugar. The real test, however, will come if Congress overrules the President. European leaders say that if Carter loses in a showdown on trade protectionism they, with their weaker economies, will be forced into a quick surrender to protectionism pressures, too.

3. **Standardization of weapons.** For years, the most serious source of friction between the U.S. and its European allies has centered on weapons procurement. The U.S. has paid lip service to the idea of standardizing weapons and equipment to reduce costs by billions of dollars and to increase combat effectiveness. But the Europeans complain that this actually has been a one-way street, with the U.S. selling vast quantities of aircraft and other military equipment to Europe while buying virtually nothing in return. As the latest example of this "Buy American policy," they cite U.S. repudiation of an agree-



German montage of Carter wrestling Schmidt. They hold key to NATO future.

ment with Germany to buy a common battle tank—the German Leopard or an American model not yet completed.

At the NATO summit in London, Carter was in a position to announce a new Pentagon directive aimed at promoting standardization and increased purchases of European-made weapons. But Europeans wonder skeptically whether the President can implement this policy in the face of inevitable opposition from the armed services and powerful elements in Congress.

Aside from the weapons-standardization policy, observers feel that Carter stands little chance of persuading Europeans to follow him in moves to strengthen NATO—especially moves that cost more money or require more manpower.

In fact, they point out, acute economic difficulties have forced Britain's Prime Minister James Callaghan into deep defense cuts that are beginning to affect his country's commitments to NATO. And a combination of Gaullist and Communist pressures in France are compelling President Valéry Giscard d'Estaing to move more cautiously in co-operating with NATO and the U.S.

**The pluses.** Despite the difficulties Carter still has a lot going for him.

Most important: Western Europe and Japan, too, are dependent on the U.S. for their security. A 295,000-man U.S. force forms one of the most effective elements in NATO at a time when European statesmen are acutely concerned about the steady build-up of Warsaw Pact armies in Eastern Europe.

Carter has demonstrated his commitment to a strong NATO by increasing spending on American forces in Europe.

Above all, America's strategic nuclear power provides an indispensable underpinning for Western Europe's defense.

Allied leaders are loath to take any action that might weaken the vital U.S. commitment to their security—the West Germans above all. This provides a strong incentive to co-operate with the U.S., whoever is in the White House, and to avoid pushing differences too far.

Another thing working for Carter in Europe: The unparalleled economic strength of the U.S. remains vital to Western Europe despite the emergence of West Germany as an industrial and financial superpower.

America still makes the biggest single contribution to efforts to bail out weak economies in Britain and Italy—either indirectly through the International Monetary Fund or directly through swap arrangements.

Politically, too, Carter has important assets in his dealings with Europe. Of all Allied leaders, he alone has a strong political base, solid popular support and the certainty of nearly four more years in power.

By contrast, Britain's Callaghan, France's Giscard and Italy's Andreotti all are surviving in office on borrowed time. Even West Germany's Schmidt heads a coalition that is shaky.

**Sense of confidence.** America's appeal among its European Allies is enhanced further by this fact: The Carter Administration has brought a new sense of confidence to Washington.

Top leaders in the White House, State Department and Pentagon reject the thesis propagated in the nation's capital in recent years that Russia is an ascendant power while the U.S. is in decline and that America must settle for the best terms it can get from the Kremlin.

The Carter team takes a different line—maintaining that it is the U.S. that is ascendant and the Soviet system that is in decay.

This change is reflected in a more-confident Washington assessment of the Soviet-American strategic balance and the conviction that the U.S. can handily counter the Soviet build-up if there is no new strategic-arms agreement.

All in all, Jimmy Carter is operating from the strongest base that an American President has enjoyed in more than a decade. Still, say Allied diplomats, this is not enough to insure U.S. leadership. For that, they say, Carter will have to prove two things to Allied statesmen:

First, that he is prepared to tailor his policies and his diplomatic style to take their essential interests and sensitivities into account.

Second, that he can secure endorsement of his foreign commitments from a rebellious Congress.



Carter on way to London Summit on Air Force One consults with top advisers

## GETTING THERE IS HALF THE FUN—

For his mission to Europe, President Carter traveled on one of the fanciest, best-run airlines in the world—his own.

Carter and his top advisers rode in style aboard Air Force One, the President's luxuriously outfitted personal airplane.

The jet craft, a 5-year-old Boeing 707, and 31 other airplanes are part of a special Air Force unit stationed at Andrews Air Force Base in the Maryland suburbs of Washington.

The unit is in business to cater to VIP's. At a moment's notice, some of the military's best pilots can whisk top Government officials away on flights all over the world.

Hand-picked Air Force mechanics work around the clock to maintain the unit's array of aircraft. Many of the planes have been extensively redecorated to suit the tastes of their powerful passengers.

The VIP air fleet used to be much bigger. But in early March, the White House announced that 15 airplanes would be reassigned or taken out of service, and nearly a third of the 1,800-man unit would be shifted to other duties. The move will save nearly 7 million dollars a year, Administration spokesmen said.

Even after recently ordered cuts are made, the unit will still be left with six other Boeing 707 passenger planes, including a backup craft for Air Force One, six Lockheed JetStars, three new DC-9s and 14 Sabreliners.

Additionally, 13 helicopters could be pressed into service for ferrying the top brass.

Air Force officials say that duty in the special unit is hotly sought. Most of the pilots and mechanics are volunteers. All undergo careful screening before assignment.

The care pays off: Since the unit

was formed 28 years ago, it has not been involved in a single fatality or serious accident.

The current Air Force One has spent nearly 1,400 hours in the air since being assigned to the White House in 1972. It cruises at a top speed of 540 miles an hour and has a range of 7,000 miles.

Air Force One's passengers are not cramped for space. Along with its crew of 18, it has seats for 54 passengers—usually consisting of presidential aides, Secret Service agents and a handful of reporters that forms a "pool" to report to the full complement of newsmen who fly in chartered commercial aircraft for which their organizations pay.

Attentive enlisted stewards man a well-stocked galley that serves up food and, for those who want them, mixed drinks.

Coffee cups, ashtrays and matchbooks stamped with an Air Force One seal are plentiful and are often pocketed by passengers as souvenirs of their flight.

If he chooses, Carter can catch a nap on long trips such as the one to Europe. One of his two private compartments features a pair of twin beds. Another section is equipped with a desk and sofa.

Other compartments are set aside for Carter's staff and for the sophisticated communications equipment that keeps the airborne White House in touch with the rest of the world.

The present pilot is Col. Les McClelland, 44. He took over Aug. 18, 1974, shortly after former President Ford was sworn in.

Carter may or may not have been satisfied by the outcome of his first overseas journey as President. But in the luxury of the flagship of his personal air fleet, he could not help but have enjoyed the ride.

# CARTER'S INTELLIGENCE CHIEF SIZES UP WORLD'S TROUBLE SPOTS

*Interview With Adm. Stansfield Turner,  
Director, Central Intelligence Agency*



On the eve of President Carter's departure on his first overseas mission—a summit conference with Allied leaders in London—Admiral Turner took the editors of *U.S. News & World Report* on a verbal tour of danger areas around the globe.

**Q** Admiral Turner, do you agree with the view expressed by some high officials in recent years that the Soviet Union is an ascending power and the U.S. is declining?

**A** The Soviets have their strengths, and they have their weaknesses. Their weaknesses are in economics and politics. I don't see the Soviet economy climbing to outdistance us. Our lead is so great that they cannot hope to overtake us unless our percentage of growth every year were to be a lot smaller than theirs. And that is not happening. So, in terms of raw economic power, we are not a declining power.

As for ideology, the Russians may think it is a strength for them, but I am sure we would all agree that their ideology is hamstringing them in many ways. After all, what's left of pure Marxism? Where is it practiced or believed in? You have a different brand of Communism in every country in Europe—and a different brand in Yugoslavia, a different brand in China. Even in the Soviet Union, they don't hold to it very carefully. So—no, I don't think the Soviets are on the ascendancy ideologically.

**Q** And militarily?

**A** They have a strong military position. One of the reasons they are putting such emphasis on their military strength is that they are trying to convert military power into political advantage. They have no other strengths that they can exploit in Africa and elsewhere. Military is all that they have.

**Q** Is the U.S. falling behind Russia in military power?

**A** In my view, we still have the edge in the strategic nuclear field as a result of our preponderance of warheads and the accuracy of our missiles. However, the trends are moving in the other direction because of the substantial effort the Soviets are putting into strategic weapons. If that continues, they could close the warhead gap and outdistance us in what is known as throw weight.

The complex equation as to when those trends might give the Soviets a militarily superior position is very difficult to state—given the fact that you're balancing numbers of warheads, accuracies and throw weight in the same mix.

**Q** Are the Soviets near the point where they could knock out our land-based missile force with a first-strike attack, as some strategists claim?

**A** I don't see a first strike as being anything like a rational calculation in the years immediately ahead by either side. What concerns me is the image that is created and the impact this could have on world opinion if there is a perceived imbalance in favor of the Soviets in strategic nuclear power.

So I think that, first, we must understand the nuclear strategic equation. And, second, the United

States must not let it get out of balance in fact or in perception. I don't think that the people of this country are going to let the Soviets outdistance us in a dangerous way. But we've got to be vigilant as to that.

**Q** We've heard a great deal lately about Russia's massive civil-defense program. Is there any danger that this will give them a decisive strategic advantage over us?

**A** Certainly not at the present time. I don't believe that the Soviets are near the point in civil defense where they could think that they could absorb a nuclear blow from us with reasonable loss—that is, a loss they would be willing to accept.

It doesn't seem to me that the damage to the three ingredients that civil defense protects—leadership, population and productive capacity—could be estimated by the Soviets to be small enough to make it an acceptable risk for them to initiate a nuclear war with deliberateness.

**Q** What truth is there to the report that the Russians have made a breakthrough in developing a beam that could destroy all of our missiles?

**A** The question of Soviet development of a charged-particle-beam weapon has been the subject of intensive analysis for a number of years. All the results of these studies have been made available to high-level U.S. Government officials on a continuing basis. The Central Intelligence Agency does not believe the Soviet Union has achieved a breakthrough which could lead to a charged-particle-beam weapon capable of neutralizing ballistic missiles. This question is obviously of concern to the U.S. Government, and is continually under review by all members of the intelligence community.

**Q** Aside from the idea of a first strike, are the Soviets thinking and planning in terms of actually fighting a nuclear war rather than just deterring one?

**A** The difference that I note between them and us is this: The Soviets in their planning start with cold war and think the process through all the way to a strategic nuclear war—and even to postwar recovery. We, on the other hand, tend to think from cold war to deterrence. There's less emphasis in our thinking on what happens after the nuclear weapons start going off, because the idea is so abhorrent.

It's a different psychological attitude. Maybe it comes from the fact that the Russians are from a country that's been attacked and overrun a number of times in their memory. So they have more of an inclination to think through the implications of someone attacking them.

**Q** Are they more inclined to contemplate resorting to nuclear war to achieve their political objectives?

**A** I think not. I think they have shown a rational, sensible approach to the nuclear-weapons problem—a willingness, for example, to negotiate SALT-type agreements.

**Q** In your opinion, where do the Soviets pose the greatest threat to the United States today?

**A** Well, you have to break that down between where our greatest interest is and where their greatest opportunity is. We have a vital national interest in Western Europe—in maintaining the NATO fabric whole and strong. The Soviet Union is trying hard to build up enough military power in Europe to give the impression that they can dominate that area. With an intimidating force on their side, they want to fracture the NATO Alliance from within by undermining the resolve of the NATO Allies. That is a serious threat—but not the most urgent.

The Soviets are pressing hardest at the moment in Africa. So, in that sense, Africa is the most urgent threat. But clearly Africa is not as vital a national interest to us as is Europe.

**Q** What is the Soviet objective in Africa?

**A** I think that, all over the world, the basically imperialistic thrust of the Soviet Union is one of opportunism. They are very adroit in the sense of pushing their opportunities wherever they develop, but not pushing them to the point where it involves a major commitment of Soviet resources or prestige if they fail.

They've found that NATO has stymied their imperialistic expansionism in Western Europe. And so they're probing each opportunity that comes up anywhere to get a foothold or friendship.

Somalia is an example of how this works. The Soviets start with a fishing fleet calling in at a Somali port. Then they offer aid to the Somali Army. The Army stages a coup, and a general takes over as President of the country. Then the

Soviets build the fishing port into a naval base—and on and on in gradual steps.

They look constantly for an opportunity for that first step—a fishing agreement or a trade agreement—and then they just keep pushing, but without committing themselves in a major way.

**Q** How successful has the Soviet Union been with this strategy?

**A** Only moderately successful. They've established three toe holds that seem to be useful to them in Africa. They've had a toe hold in Guinea for six years or so, and seem to be hanging on there. They've had one for a short time in Angola, and they're doing all right there. There's no major Soviet presence, but the Angolans are still co-operating with them. And the Soviets have had a fairly strong position in Somalia for seven or eight years, and it seems to be holding.

They're beginning to explore other opportunities—for example, in Southern and Eastern Africa with the visit of President Podgorny.

On the other hand, the Russians have failed in Egypt. They've lost a major position there. Outside Africa, they failed some years ago in Indonesia. Their relations with Syria are not as warm as they were several years ago. So they are not always adroit enough to do this well. Basically they lack the economic foundation to be an imperialistic power.

**Q** What about Ethiopia? Are the Russians establishing another toe hold in Africa at the expense of the United States?

**A** There is no doubt that Soviet ties with Ethiopia's present leftist regime are close. At the same time, however, the apparent Soviet gains in Ethiopia may lead to a deterioration in its formerly close relations with Somalia.

**Q** Are the Russians using Cubans in black Africa as a Soviet tool, or are the Cubans there for their own ends?

**A** I think it's a fine line. The Cubans are anxious to establish themselves as a leader in the "third world." The 1979 conference of nonaligned nations will be held in Havana. Thus the Cubans are anxious to raise their world image in Africa and elsewhere in the third world. However, I don't think that they could afford economically to indulge in these activities without considerable support from the Soviet Union. The Russians, by operating with a surrogate, get an opportunity to establish an African foothold without necessarily committing themselves too much.

**Q** Admiral Turner, why are we so worried about the Indian Ocean, considering the relative weakness of Soviet naval strength there?

**A** I wouldn't say their naval strength is relatively weak there. At the same time, I wouldn't say that the Soviet naval presence is formidable compared with ours, which is somewhat smaller. The difference is not overwhelming.

The asymmetry that impresses me is that the United States as well as Western Europe and Japan have a vital interest in the Indian Ocean—in the oil route which is vital to our future prosperity and security—while the Soviet Union does not have a vital interest there.

**Q** In that case, why do the Russians maintain a naval force there?

**A** I think their presence in the Indian Ocean is symptomatic of their desire to leapfrog out to gain influence in other areas of the world while they're stalemated in Europe.

Now, you can talk about their continuing naval presence in the Mediterranean as a counter to the U.S. position in the Mediterranean. You can talk about their continuing naval presence in the Norwegian Sea and the Sea of Japan as legitimate defensive concerns close to their homeland. But you can only look at a continuing Soviet presence off West Africa and in the Indian Ocean as gunboat diplomacy. I don't

## Global Dangers Facing U.S.—Admiral Turner's Assessment

**Soviets in Africa:** This is the "most urgent threat" posed by Russia, but the Soviets have been "only moderately successful" there.

**Western Europe:** Russia is "stalemated in Europe" and therefore is trying "to leapfrog out to gain influence in other areas of the world."

**Post-Tito Yugoslavia:** "The most fragile point in the European scene today," where Soviets will "look for an opportunity and probe without getting themselves overcommitted."

**Revolt in Eastern Europe:** Even though there is a "stirring of thought behind the Iron Curtain . . . I don't see a real possibility of a major fracturing of the Soviet bloc."

**Indian Ocean:** Russia has no vital interest there. The only purpose of her naval presence there is "gunboat diplomacy."

**U.S.-Soviet balance:** Russians emphasize military power because "they have no other strengths that they can exploit." The Soviets lag in economic power and ideological appeal.

**First-strike threat:** Neither superpower can rationally contemplate first-strike nuclear attack "in the years immediately ahead."



## SIZE-UP OF WORLD'S TROUBLE SPOTS

*[interview continued from preceding page]*

of a change in strategy, dictated by the fact that they are blocked on land.

**Q** Do you see any danger that the Russians will be able to break the stalemate in Europe to their advantage?

**A** No, at this point I don't, although I recognize that some of our allies are facing difficult political and economic problems today.

## "INTERNAL PROBLEMS FOR SOVIETS"—

**Q** What about the situation in Eastern Europe? How dangerous is it for the Soviets?

**A** It varies from country to country. Since Helsinki, there has been a stirring of thought behind the Iron Curtain. Yet, basically, one has the feeling that the dictatorial controls in those countries will be exercised ruthlessly as requirements dictate. There could be internal problems for the Soviets—as there have been in Hungary and Poland and Czechoslovakia. But I don't see a real possibility of a major fracturing of the Soviet bloc.

**Q** Do you expect the Soviets to make a grab for Yugoslavia after Tito's death?

**A** I think that Yugoslavia is the most fragile point in the European scene today. I would think that the Soviets would look for an opportunity and probe without getting themselves overcommitted.

**Q** Do you anticipate a Russian military move to force Yugoslavia back into the Soviet bloc?

**A** That would be a very definite commitment by the Soviets, and it would be taken only as a last resort. They would try a lot of other things first before they contemplated that.

**Q** Turning to Russia's other flank—in the Far East: Are the Soviets and Chinese likely to patch up their quarrel in the near future?

**A** That is always a possibility when you are dealing with countries that operate on such an expedient basis as the Soviets did in their relations with Nazi Germany before World War II. But I don't see it on the immediate horizon. Even if it happened, I doubt if it would be anything more than an expedient. The fissure between these two countries is quite deep.

**Q** President Carter proposes to withdraw U.S. ground forces from South Korea. Will that affect China's relations with Russia or its attitude toward this country?

**A** Of course, it would have an effect on Chinese attitudes if that decision were made and executed. How important it would be will be largely dependent on how and when a withdrawal takes place—if it does—and what changes occur on the world scene in the interim. It's pretty difficult to speculate in the abstract until some policy decision is made here as to how and when it's going to take place—if it does.

**Q** Will such a withdrawal be seen as an American retreat from Asia by Japan and other U.S. allies?

**A** Again, it depends on how it's done and whether the preparatory steps can persuade those countries that it's not a retreat from Asia. Those who are looking to us for a security function out there would be bound to think of it as something of a retreat. But the *status quo* is not always the right answer. Any time you change something, it's going to be approved by some and disapproved by others.

**Q** One further point about the Soviet Union: What is your reading of Brezhnev's health? Is he about finished, as recent reports suggest?

**A** My reading of Brezhnev's health is that it's a sine curve that goes up and down. Sometimes he wears himself out a bit

or he has a particular problem, but I don't see this as a curve that's constantly declining and has a terminal date that can be anticipated. It's not such that we have to sit here and plan. "Well, in 12 months or 24 months we're bound to have somebody new."

**Q** Are there any signs of a power struggle for the succession in the Kremlin?

**A** No, I don't read the signs that way at this point.

**Q** Would a leadership change have any significant effect on Soviet-American relations?

**A** Yes, it's bound to. With a new Administration here in Washington beginning to establish an understanding with the Brezhnev Administration in Moscow, we would have to start over and feel out a new Administration over there. There would bound to be some slowdown in the development of enough understanding to proceed with things like SALT.

**Q** Turning to your own situation at the CIA, Admiral, are you handicapped in countering Soviet and Cuban activities in Africa by restrictions on covert operations?

**A** No, I've not found them a handicap at this point. There are no new limitations on our covert operations other than specific prohibitions on assassinations. I would not permit that kind of activity anyway. The point now is that there must be presidential approval before any covert action is undertaken, and Congress must be informed in a timely manner.

## "WE CAN'T ABANDON COVERT ACTION"—

**Q** Are covert operations—dirty tricks of that sort—really necessary?

**A** We can't abandon covert action. However, in today's atmosphere, there is less likelihood that we would want to use this capability for covert action. But I can envisage circumstances in which the country might demand some covert action.

**Q** What circumstances?

**A** For instance, let's say a terrorist group appears with a nuclear weapon and threatens one of our cities and says, "If you don't give us some money or release some prisoners or do something, we will blow up Washington, D.C."

I think the country would be incensed if we did not have a covert-action capability to try to counter that—to go in and get the weapon or defuse it.

So, although we don't exercise it today, I think we must retain some capability for covert actions that range from small paramilitary operations to other actions that will influence events.

**Q** There have been recent allegations that you have declassified reports on energy to support the President's policy decisions. Does this represent a new CIA policy of using intelligence to support White House programs?

**A** That is definitely not the case. This study was started over a year ago—before even the election. The President did not know of it until a few days before he mentioned it in a press conference.

Let me say, though, that I believe that the intelligence community should make more information available to the public on an unclassified basis. The public is paying for our work and deserves to benefit from it within the necessary limits of secrecy. Moreover, a well-informed public is the greatest strength of our nation.

I also believe that declassifying as much information as possible is a good way to provide better protection for those secrets we must hold. Excessive classification simply breeds disrespect for and abuse of all classified data. I intend to continue to declassify and publish information of value and interest to our people.

# WHY NIXON WENT ON THE "WITNESS STAND"

The ex-President got one thing he needed from his TV interview—money. But he is not faring so well in his bid for rehabilitation.

It was, to many, a puzzling move that Richard Nixon made by putting himself on a televised witness stand to answer questions about Watergate before a nationwide audience.

Why did he do it, after almost three years of post-Watergate silence? Why stir up half-forgotten bitterness at this time?

From his friends and close associates come these answers:

- Nixon needed money—desperately and quickly. He is expected to net about a million dollars from his scheduled series of five TV interviews.

- He wanted the national-TV exposure as a chance to rehabilitate his public image—to win "a decent place in history," as one friend put it.

Initial reaction to the Watergate interview on May 4 suggests that Nixon's gamble on rehabilitating his image did not pay off.

Polls of public opinion indicate that the former President changed few, if any, minds about his guilt or innocence of trying to cover up White House involvement in the Watergate affair.

Those who had defended him in the

past tended to accept his explanations on TV. The big majority who had thought he was guilty still thought so. Even among Republican members of Congress who had tried to defend Nixon against impeachment, Nixon's TV arguments appeared to have little effect.

Nixon presented "something less than a legal defense" to the charges against him, said Representative Charles Wiggins (Rep.), of California, who had changed his mind after voting against impeachment.

Representative Robert McClory (Rep.), of Illinois, who voted for two of the three impeachment charges adopted by the House Judiciary Committee, said after watching the telecast: "I didn't have any change of heart. I don't think it helped Nixon at all—or helped the country. I felt depressed at the end."

Opinion surveys suggested, however, Nixon may have won some sympathy and a better understanding of his travail during those two years between the Watergate break-in of June 17, 1972, and his resignation on Aug. 9, 1974.

"I feel sorry for him," even though "he's still covering up," said former Senator Sam J. Ervin (Dem.), of North Carolina, who headed the Senate Committee whose televised hearings in 1973 spurred the drive to impeach Nixon.

But "I felt sorry for America," said

*"I let the American people down, and I have to carry that burden with me for the rest of my life."*



House Speaker Thomas ("Tip") O'Neill, Jr. (Dem.), of Massachusetts. "It would have been better not to have been on television."

"I have no sympathy for him at all," said Senator Barry M. Goldwater (Rep.), of Arizona.

Republican Representative Tom Railsback of Illinois, who voted for impeachment, commented that nothing Nixon said on TV changed his opinion but: "For the last 15 minutes, Nixon became very human, very revealing."

Watching the interview was "an agonizing experience for me," said Senator Jacob Javits (Rep.), of New York. But he added: "It should shatter any illusions that a President was made to resign when he shouldn't have."

**"The spectacle."** Many people objected to the idea of a former President subjecting himself to grilling in such a forum—especially doing it for money.

"There's something unsettling about the spectacle of Richard M. Nixon holding forth on Watergate for a profit," editorialized the Bergen, N.J., *Record*.

The *Houston Chronicle* said: "It would have been better had Nixon not agreed to those television interviews. They will change nothing in the minds of hatemongers whose feelings still run high."

A nationwide Harris Poll of 1,506 persons found 557 of them had watched the Nixon telecast. Among the watchers: a 51-27 majority thought Nixon lied several times, 45 per cent felt sorry for him but a 58-36 majority was not more sympathetic to him as a result of the telecast and a 51-41 majority was resentful of the money he got.

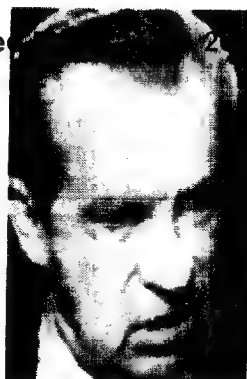
The May 4 interview produced very little information that had not been brought out before in the long investigation that followed the break-in at the Democratic Party headquarters in Washington's Watergate building.

Under the insistent probing of his British interrogator, David Frost, Nixon made a few new concessions.

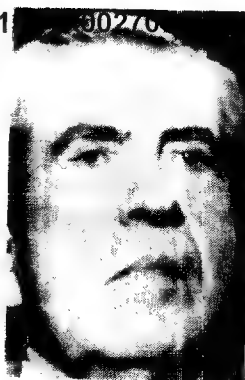
He confessed he had "said things that



*"I said things that were not true. . . . For all those things I have a very deep regret."*



*"If they want me to get down and grovel on the floor—no, never."*



*"I made so many bad judgments—the worst ones mistakes of the heart rather than the head."*

## "WITNESS STAND"

(continued from preceding page)

were not true" in previous statements. He dropped his earlier claim that he acted out of concern for "national security" in his early attempts to curb the Watergate investigations. His explanation to Frost was that he was trying to "contain it politically" and to prevent harm to his close associates whom he, at that time, believed to be innocent.

But Nixon insisted he did not commit a crime or an impeachable offense, and that his motives were not criminal.

If [people] want me to get down and grovel on the floor," he said, "no, never, because I don't believe I should."

At the end, however, he did make an emotional admission.

"I let down my friends," he said. "I let

down the country. I let down our system of government . . . I let the American people down, and I have to carry that burden with me for the rest of my life. My political life is over."

Financially, if not politically, the TV interviews are profitable to Nixon. In addition to a flat fee of \$600,000, he is understood to be getting a share of the profits. With the interviews appearing on 155 stations in the U.S. and 14 stations abroad, and ads selling as high as \$125,000 a minute, estimates are that Nixon's total take could run up to possibly above a million dollars.

Friends say he badly needs that money because he is deeply in debt. Legal fees and other costs of his long defensive battle have "drained him dry," as one friend put it. Estimates are that he owes hundreds of thousands of dollars.

Nixon already has sold his home at

Key Biscayne, Fla., and some say he was in danger of having to sell his estate in San Clemente, Calif., as well.

Nixon is hoping for another financial windfall from his memoirs that he is writing and expects to publish next year.

Starting in August, Nixon is said to be planning to take off at least three months for rest, swimming and golf. He now "breaks 80" occasionally on the golf course. Despite his 1974 illness with phlebitis and Mrs. Nixon's mild stroke in 1976, both are now described as enjoying better health.

**Nixon's medium.** Explaining why Nixon chose television for his first return to public life, one close associate said: "Nixon has always regarded TV as his medium. As President, Nixon used TV and radio extensively.

"He feels that with a book you reach only a limited audience, while with TV

## WATERGATE—KEY DATES

### 1971

**September 3:** Three men break into office of a Los Angeles psychiatrist, looking for records of Daniel Ellsberg, who was accused of giving the press secret Pentagon papers on the Vietnam War. Three White House aides are later found guilty of plotting the break-in.

### 1972

**June 17:** Five men are caught by police in Democratic Party headquarters in Washington's Watergate building. Their aim, it turned out later, was to photograph documents and plant electronic listening devices.

**June 23:** Nixon says: "The White House has had no involvement whatever in this particular incident."

### 1973

**January 30:** Trial of seven accused in Watergate break-in ends, with five pleading guilty, two convicted.

**March 19:** James W. McCord, Jr., who had been convicted of the break-in, charges there had been perjury at

the trial, with pressure to keep defendants silent about the complicity of "higher-ups."

**April 17:** Nixon announces he has ordered "intensive new inquiries" as a result of major developments that came to his attention on March 21. That, it turns out, was when White House Counsel John W. Dean III told Nixon "we are being blackmailed" by Watergate defendants. Nixon later claimed that was the first time he heard about "hush money" to keep defendants quiet.

**April 30:** Nixon fires Dean. White House aides H. R. Haldeman and John D. Ehrlichman resign.

**May 17:** The Senate's special Watergate investigating committee begins weeks of public televised hearings that produce allegations of White House involvement in Watergate cover-up.

**July 16:** A presidential aide tells Senate investigators that all White House conversations have been recorded on tape since 1970.

**October 20:** In so-called Saturday-night massacre, Nixon forces firing of Special Prosecutor Archibald Cox

who was demanding the White House tapes.

**October 30:** House Judiciary Committee begins consideration of possible impeachment proceedings.

**November 1:** Leon Jaworski succeeds Cox as special prosecutor.

### 1974

**March 1:** Seven Nixon appointees are indicted, charged with conspiring to hinder Watergate investigation. Nixon, as later revealed, was named as an undicted co-conspirator.

**July 27-30:** House Judiciary Committee adopts three articles of impeachment charging Nixon with obstructing justice, misusing his powers and unconstitutionally defying Committee subpoenas.

**August 5:** Nixon releases tapes—the so-called smoking pistol—showing he tried to halt FBI investigation of Watergate as early as June 23, 1972. He admits he had withheld that evidence from investigators.

**August 9:** Nixon resigns. Gerald Ford succeeds him.

**September 8:** Ford pardons Nixon for any federal crime he might have committed while President.



***"I brought myself down. I gave them a sword, and they stuck it in and twisted it with relish."***

you can reach a mass audience with an emotional impact.

"Nixon was very anxious to put his Administration in perspective and give his side of Watergate. The TV interviews are seen as a way of answering questions that are on the minds of a lot of people."

**Blunt queries.** Many of those questions on people's minds were put bluntly to Nixon by his interrogator, Frost. The answers seldom varied much from those that Nixon had given in the past.

Nixon continued to maintain that he had not known about "hush money" demands by Watergate defendants until he was told by his counsel, John W. Dean III, on March 21, 1973. He denied he endorsed or ratified the \$75,000 payment made that same evening to E. Howard Hunt, one of the defendants.

One of the three impeachment charges voted against Nixon by the House Judiciary Committee was that he obstructed justice by trying to impede investigations. On this, Nixon said "I did not ... commit the crime of obstruction of justice because I did not have the (criminal) motive required."

On the question of whether he tried to cover up facts, Nixon conceded "in some cases going right to the edge of the law" in advising his aides—"because I thought they were legally innocent"—and "under the circumstances I would have to say that a reasonable person could call that a cover-up." But, he added: "I didn't think of it as a cover-up. I didn't intend it to cover up."

Nixon gave this explanation: "My motive ... was not to try to cover up a criminal act" but to ensure against "any slop-over in a way that would damage innocent people or blow it into political proportions."

Much of the interview was taken up by sparring between Nixon and Frost over interpretations of tape-recorded conversations between Nixon and his White House aides. After one such session involving talks with Dean, H. R. Haldeman and John D. Ehrlichman on March 21, 1973, Frost exploded in anger:

"What I don't understand about March 21 is ... why you didn't pick up the phone and tell the cops. ... When you found out about the things that Haldeman and Ehrlichman had done,

there is no evidence anywhere of a rebuke. ... Nowhere do you say to Haldeman and Ehrlichman, 'This is disgraceful conduct.'"

Nixon then launched into a long discussion of the "very difficult period" he had gone through. He described his emotions when he finally decided he had to ask for the resignations of his old friends, Haldeman and Ehrlichman.

"Maybe I defended them too long," he said. "Maybe I tried to help them too much. But I was concerned about them. ... I felt that they in their hearts felt they were not guilty. I felt they ought to have a chance, at least, to prove that they were not guilty."

Nixon quoted a former British Prime Minister, William Gladstone, as saying "that the first requirement for a Prime Minister is to be a good butcher." Nixon called that a "summary" of Watergate, and said:

"I did some of the big things rather well. I screwed up terribly on what was a little thing and became a big thing. But I will have to admit I wasn't a good butcher."

Nixon disclosed that he had considered resigning the Presidency when he announced the resignations of Halde-

man and Ehrlichman. But he hung on until the House Judiciary Committee had voted to impeach him and the so-called smoking-pistol tape had revealed his attempts to curb the FBI's investigation as early as June 23, 1972.

**Self impeachment.** "I brought myself down," Nixon told Frost and the TV audience. "I gave them a sword, and they stuck it in and they twisted it with relish. And I guess if I'd been in their position I would have done the same thing."

In the end, Nixon said, "I have impeached myself ... by resigning. That was a voluntary impeachment."

Originally, four interviews were scheduled, the last three to deal with less controversial aspects of Nixon's Administration. After the Watergate interview drew an audience of more than 45 million, the largest ever to watch a news interview, it was announced a fifth interview would be added.

The subject: The mysteries of what happened to the 18½-minute gap in one key White House tape and of why Nixon did not burn those tapes before they proved so damaging to him.

The American people still have not heard the last of Watergate.

## THE PRESIDENT'S MEN— WHERE ARE THEY NOW?

*Among those found guilty in Watergate or related cases were these five men close to Richard Nixon:*



**John N. Mitchell,** former Attorney General. Convicted Jan. 1, 1975, of conspiracy, obstruction of justice and lying to investigators in Watergate cover-up. Got 2½ to 8 years. Free while appealing case to Supreme Court.



**John D. Ehrlichman,** Nixon's domestic counselor. Convicted with Mitchell on similar cover-up charges. Given same sentence, which was made concurrent with a previous sentence of 20 to 60

months for ordering 1971 break-in to rifle psychiatrist's records of Pentagon Papers figure Daniel Ellsberg. Wrote novel. Went to jail Oct. 28, 1976, without waiting for ruling on appeal.

**H. R. Haldeman,** former chief of White House staff. Given same term as Mitchell and Ehrlichman for conspiracy, obstructing justice, perjury in cover-up. Free on appeal to Supreme Court.



**John W. Dean III,** former White House counsel. Pleaded guilty of conspiracy to obstruct justice in Watergate cover-up. Sentenced to 1 to 4 years in prison. Released Jan. 8, 1975, after 4 months. Has made money by lecture tour and writing a book about Watergate.



**Charles W. Colson,** former White House special counsel. Pleaded guilty to obstructing justice in Ellsberg case. Sentenced to 1 to 3 years and \$5,000 fine. Released January 31, 1975, after 6½ months. Wrote a book on his White House, religious and prison experiences.





# From Coast to Coast, an All-Out Race to Find More Oil

**Higher prices are opening new frontiers for exploration and reviving old fields. But future is clouded by fears about Carter's energy program.**

At a time when President Carter says the U.S. is running out of oil and gas, the petroleum industry is in the midst of its greatest search in years to find more.

From the Rocky Mountains to the Gulf Coast and the hills of Appalachia, the action is hot and heavy. Virtually every drilling rig has been pressed into service. Companies that evaluate geological formations for oil and gas potential are working at capacity.

The pace would be even more frenetic if it weren't for shortages of drill pipe, casing and skilled workers in some areas.

Oil and gas fields that were considered dead or dying are being brought back to life with new recovery techniques. Wildcatters are drilling deeper and deeper to seek out elusive pockets of oil and gas. Geological formations that had been overlooked or ignored in the days of plenty and low prices suddenly have become hot prospects.

Experts warn, however, that the spurt in drilling should not be interpreted as a sign that the U.S. has plenty of oil and gas and the energy crisis is not real. They see it in terms of fighting a holding action against the inevitable day when finite supplies of fossil fuel are exhausted.

"Companies are drilling more and deeper to find less and less," comments Carl Savit of Western Geophysical, a Houston company involved in seismic surveys.

The only soft spot in the boom is offshore. This is because of a slowdown of leasing in federal waters by the Carter Administration and court action that has halted drilling in the Atlantic off the coast of New Jersey.

Discouraged by relatively high prices now and the prospect of even

higher prices in the future, oil and gas companies have budgeted a record 26.5 billion dollars for capital spending in 1977. In contrast to the past, most of the money will be spent on projects within the U.S.

Says John E. Swearingen, chairman of Standard Oil Company (Indiana): "While much has been said about the decline in oil and gas production—and reserves—in the United States, we believe there are many opportunities for profitable exploration and production remaining in this country."

**Meeting demand.** Independent exploration firms also have stepped up their spending plans for this year. "Independents are coming out of the woodwork," says Robert Parker, president of Tulsa-based Parker Drilling Company. "This is the busiest year in 10 years for us and we are building new rigs as fast as we can to meet a backlog of orders."

Individual investors and natural-gas pipelines are pouring additional money into the search for more oil and gas.

The *Oil & Gas Journal*, a trade publication, reports that five major pipeline companies plan to spend an estimated 358 million dollars in 1977 for leases, drilling and development ventures. A survey by Resource Programs, Inc., an industry consulting firm, notes that 45

independent oil companies raised 359 million from investors in 1976, an 11 per cent increase over 1975.

With ample funds available, drilling activity is at a 16-year high. The Hughes Tool Company, which keeps track of such things, reports that 1,942 drilling rigs were operating in the U.S. in early May, the most since December, 1961. At the same time last year 1,457 rigs were at work. Drilling in the U.S. hit a peak in 1955, but low prices for domestic oil and gas sent the industry into a tailspin in the 1960s.

Drilling started its latest surge in 1972 when intrastate prices for natural gas in Texas, Oklahoma and Louisiana started rising. An additional boost came from higher U.S. oil prices after the Organization of Petroleum Exporting Countries (OPEC) quadrupled prices for their oil in 1973.

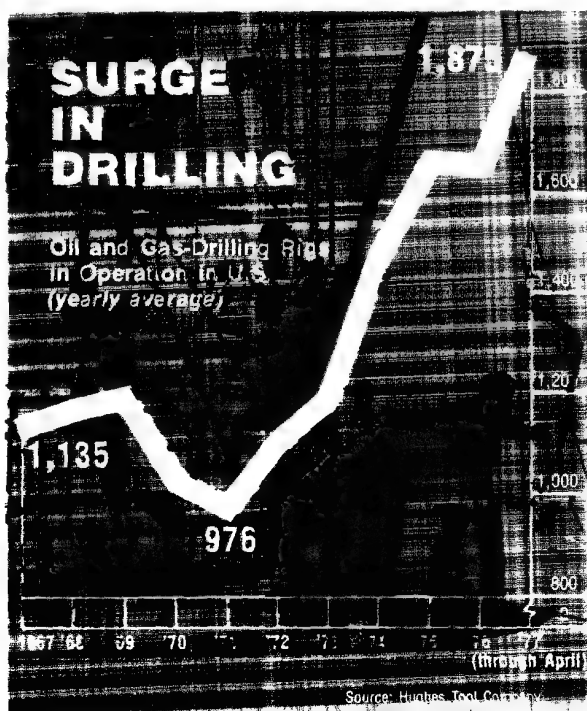
Oilmen attribute the current high level of activity to two factors: Federal Power Commission action in late 1976 that almost tripled the price of natural gas sold in interstate commerce and the prospect of higher oil and gas prices that prevailed even before President Carter unveiled his energy program.

**Taking more chances.** Says Don Covey, senior vice president, production, for Mitchell Energy & Development Company in Houston: "We're looking at prospects now that we could not afford to look at before. With \$11 oil, you can take higher risks than with \$3 oil. And you will do a lot of things for \$1.50 and \$2 [per 1,000 cubic feet] gas that you wouldn't do for 30 cent gas."

Houston Oil & Mineral Company has increased its budget for drilling expensive wildcat wells by 142 per cent in 1977. The company also is buying old fields from major oil companies, reworking them and increasing production by as much as 43 per cent. "It costs you to get this stuff out," says Robert D. Patrick, III, vice president of operations, but because of the new prices, you can afford to put in the facilities."

W. H. (Bill) Doran, president of XRC, Inc., says higher prices are enabling his firm to harvest "forgotten gas." He adds: "We are drilling in areas where there is no production, in fields that were abandoned. There's enough gas there to make it worthwhile at the new price."

One such gas well in Texas was shut down when its production fell to 200,000 cubic feet a day. At the time, gas was priced at 16 cents a thousand



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	7:15 p.m. One-stop (Ex. Sat.)	
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3:00 p.m. Two-stop	3:25 p.m. Non-stop	3:00 p.m. Three-stop
5:40 p.m. Non-stop	6:30 p.m. Connect (Ex. Sat.)	5:40 p.m. * (Ex. Sat.)
7:30 p.m. Non-stop	6:30 p.m. Connect (Sat. Only)	7:30 p.m. *
Newark		Newark
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\*\*6 grams from a one-ounce serving of Special K; 4 grams from  $\frac{1}{2}$  cup skim milk.

**Kellogg's**  
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feet and the \$32 a day of gross revenues wasn't enough to cover the cost of operating a compressor. XRC purchased the well in 1975, reopened it and installed a \$21,000 compressor. The well now produces about \$400 worth of gas a day. Doran claims the effort added more than 300 million cubic feet of gas to the nation's reserves.

**"Rockies gone wild."** One of the hottest new onshore drilling regions is in the Rocky Mountains, where rich oil strikes have been made in a formation called the "Overthrust Belt." "The Rockies have gone wild," says Tulsa's Robert Parker.

Other active spots include deep drilling in west Texas and the Anadarko Basin in Oklahoma, where drillers are probing for natural gas nearly 5 miles below the surface at a cost of more than 2 million dollars for a single well. The cost of one Anadarko well zoomed to 6.5 million.

Deep drilling also is active along the Gulf Coast. Chevron Oil Company is exploring 4 miles below ground in Louisiana in its search for new natural gas reservoirs.

One of the most intriguing areas now coming under scrutiny by oil companies is not new at all. Oilmen have known since the earliest days of their industry that the Appalachian Mountains contained oil and gas.

The first well ever to produce oil was discovered in 1859 near Titusville, Pa., but such small reservoirs were almost forgotten after the turn of the century when the giant fields were discovered in Texas and Oklahoma. Higher prices now are making it profitable to seek out new fields in Appalachia and revive old fields that have been drained by conventional-recovery methods.

James B. Gehr, president of Allegheny Land & Mineral Company at Clarksburg, W. Va., says that higher prices for natural gas have stimulated drilling throughout the Appalachian Basin. Allegheny drilled only seven wells in 1974 because of a squeeze between rising costs and depressed gas prices. This year, following FPC action boosting prices for newly discovered gas, Allegheny plans to drill 80 wells at a cost of about \$100,000 each.

Says William Hover, vice president of the Pennzoil Company: "People have known for years and years that there is plenty of oil and gas still left in the Basin, but it just wasn't profitable to produce until prices increased. It was no big secret, just a matter of economics."

Pennzoil has increased its exploration-and-production budget for the region from 7 million dollars in 1975 to 12.8 million this year.

Part of the money will be used to



Oil-field workers are drilling deeper and in more inhospitable regions as the industry steps up the search for new supplies of oil and gas to bolster dwindling U.S. reserves.

stimulate production from "stripper" wells that produce less than 10 barrels per day. By pumping water, steam and a special chemical solution into the nearly depleted wells, Pennzoil is able to dislodge oil that otherwise would have been left in the ground. Hover says the current market price of \$13.82 a barrel for "stripper" well production just about covers the cost of these special recovery methods.

**Stretch it out.** While many oilmen privately agree with the Carter Administration's assessment that little can be done to reverse the decline in U.S. petroleum production, they insist that the small but numerous discoveries now being made can stretch out remaining reserves until alternatives to fossil fuels are ready to take over from oil as the nation's primary energy source.

That is one reason the industry is unhappy with President Carter's proposed energy program. The petroleum people say the President's plan lacks adequate incentives for more production and exploration.

Some predict that drilling will decline in 1978, despite the present boom, unless the industry can persuade Congress to alter some of the Administration's proposals.

Presidential Energy Adviser James Schlesinger scoffs at these charges, claiming that provisions boosting the price of newly discovered oil from \$11.28 to more than \$13 per barrel will give domestic producers one of the world's highest profit margins and more than enough incentives.

While industry concedes that a \$13 price is adequate in most cases, it claims the Carter energy plan is filled with

booby traps. Some oilmen say that only 10 per cent of the new oil discoveries in Texas last year could qualify for new-oil prices. Under the Carter plan, new discoveries are defined as those 2.5 miles away from or 1,000 feet deeper than an existing well—to keep producers from collecting "new oil" prices on oil that had been found some time ago.

"That part of the plan is a political rationality but not a geological rationality," says George Peterkin, president of Kirby Exploration Company.

Peterkin claims that it is entirely possible to have wells producing from the same reservoir that are more than 2.5 miles apart, or to have wells only a half mile apart that are producing from different reservoirs.

Oilmen also complain that the Carter plan has no provision to encourage greater production from "stripper" gas wells, and would roll back the price of intrastate gas—gas produced and sold within the same State—from around \$2 to \$1.75.

They gripe, too, that although U.S. coastal waters remain one of the least-explored regions of the earth, the President omitted any measures to speed up leasing of offshore tracts.

**A deep fear.** Industry spokesmen hope that most of the troublesome provisions can be worked out during congressional debate over the Carter program.

Until then, oilmen plan to keep on drilling. Says one oil-company executive: "There is an underlying fear among oilmen that if they can't get the job done the Government will take over the industry. Many feel that is the real intent of a lot of Washington politicians."



# WHITE HOUSE "MOVERS AND SHAKERS":

**T**HE PEOPLE who run the Carter White House are finding that Government service can be lucrative.

Under recently announced raises, Carter's nine best-paid assistants now draw \$56,000 a year. Eight aides earn \$51,000, 7 are paid \$48,500 and another 25 get between \$40,000 and \$47,500.

The top pay for staff members in the Ford Administration was \$44,600. Members of Congress are paid \$57,500 a year.

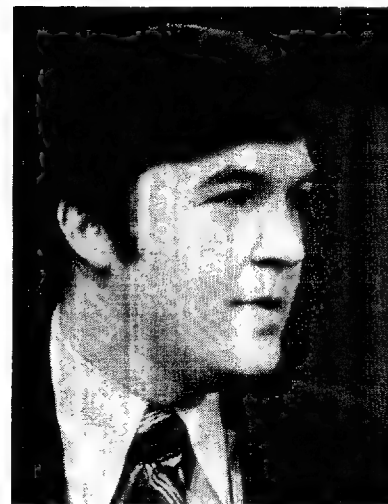
In releasing the figures, the White House announced that it had saved the taxpayers \$166,500 a year. The reasoning: Some of the salaries could have been boosted even higher under recommendations made by a special salary commission before Carter took office.

In the vast majority of cases, presidential aides are receiving much higher pay than they were getting before they came to the White House. Many staff members are young, and some drew only nominal salaries while working in Carter's campaign organization.

## Carter's Inner Circle—\$56,000



Jody Powell, 33. A close adviser since Carter was Georgia Governor, he's in charge of press relations.



Hamilton Jordan, 32. He is the President's "right hand" and top political adviser.

## Deputy Advisers—\$51,000



David I. Aaron, 38, an assistant for national security affairs.



Hugh A. Carter, Jr., 34. Oversees house-keeping details.



Timothy E. Kraft, 35. He holds key position as the man in charge of arranging Carter's appointments.

## Middle Managers—



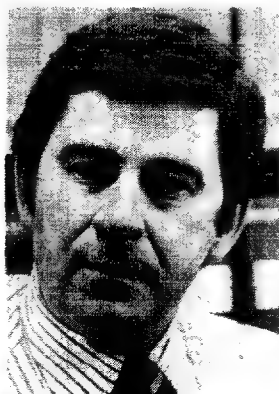
Landon Butler, 35. An aide to top staff member Jordan.



Rex L. Granum, 26. Deputy press spokesman.



Martha M. Mitchell, 36, is the White House link with the District of Columbia.



Dr. Peter G. Bourne, 37. Advises the President in health, narcotics matters.

**Also in this category:**  
Special assistants Joseph W. Aragon, Richard M. Harden and James B. King.



Mary Finch Hoyt, 53. Mrs. Carter's press secretary.



Greg Schneiders, 30. Runs special projects.

# WHAT THEY DO, HOW MUCH THEY'RE PAID



Margaret ("Midge") Costanza, 44, acts as the President's "window" to the public, listens to special-interest pleas.



Zbigniew Brzezinski, 49. He briefs Carter daily, advises on national-security affairs.

**Also in this category:**

Counsel Robert J. Lipshutz, Cabinet Secretary Jack H. Watson, Jr., presidential assistants Stuart E. Eizenstat, Frank B. Moore and James R. Schlesinger.

## \$43,500 to \$48,500



Margaret A. McKenna, 31, helps advise the President on technical legal points.

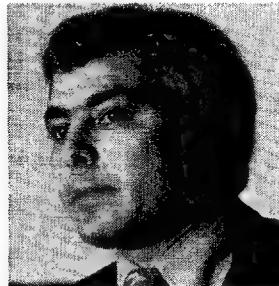
**Also in this category:**

Deputy assistants Robert A. Nastanovich, David M. Rubenstein, Lawrence Bailey; Deputy Cabinet Secretary Jane Frank; Deputy Press Secretary Walter Wurfel; inter-governmental affairs assistants Bruce Kirschenbaum and Jim Parham.

## The "Rank and File"—\$40,000 to \$42,500



Mark A. Siegel, 30, helps plan the political strategy.



Barry Jagoda, 33, advises Carter on TV appearances.



Gretchen Poston, 44, is in charge of entertainment.



Frances M. Voorde, 37, supervises the President's long-range schedule.

**Also in this category:**

Senior associate counsels Michael H. Cardozo and Douglas B. Huron; staff assistant Joseph Dennin; legislative-projects co-ordinator Leslie C. Francis; staff secretary Richard G. Hutcheson; lobbyists Robert Russell, Valerie F. Pinson, Dan Tate and James C. Free; associate for public liaison S. Stephen Selig; appointments assistant Timothy G. Smith; associate press secretaries Patricia Y. Bario and Walter E. Duka; First Lady's aide Madeline F. MacBean; chief speechwriter James Fallows; and research assistant Elizabeth Rainwater.

# REPUBLICAN STRATEGY: BACK TO GRASS ROOTS

**T**HE REPUBLICAN PARTY, struggling to survive as an effective political force, will try to return to the White House and national power through city hall.

The plan: Rebuild the party starting at the precinct level in cities, counties and states, and return to the fundamentals of political operations—voter registration, candidate selection, financing, issues and communications.

Insiders predict that instead of being mesmerized by presidential politics, as Republicans so often have been in the past, the party will concentrate on electing more people in 1977 and 1978 as members of Congress, Governors, legislators, mayors, city councilmen, county supervisors, sheriffs and other State and local officials.

**Future contenders?** From such a crop of new faces and younger people, party planners believe, will come the national Republican figures of the future, including possible presidential prospects who may be completely unknown at this time.

A special effort will be made to attract more women, young people, older citizens, union members, ethnics, blacks and other minorities as party workers and as candidates.

All along the way, the common goal of protecting the interests of various constituent groups is to be stressed more than the Republican label.

For example, a new program to assist blacks in running for Congress emphasizes that the candidate should have a strong involvement in community affairs, but need not necessarily be identified with the Republicans.

It will not be easy, party leaders admit. Warned one: "After Nixon, Watergate and the Ford-Reagan battle last year, we're worse off than we have been in some time. To rebuild public confidence and political strength will be a long, slow, hard process."

Still there are signs of new life in the battered party. In February, a Republican won a congressional seat in a previously Democratic district of Minnesota that fell vacant when Bob Bergland was named Secretary of Agriculture.

Since Jimmy Carter's victory last year, Republicans have won a dozen special elections for State legislative seats in New York, Pennsylvania, Michigan, Alabama, Iowa and Missouri. Some had long been held by Democrats. Further tests will come this year in legislative races in Kentucky, New Jersey and Virginia.

A Republican strategist pointed out: "We usually do better in congressional and State elections when we are out of the White House. Gradually, voters turn against the Administration in office as controversial issues develop."

A blueprint for a Republican comeback has been drafted by the new party chairman, Bill Brock, a Chattanooga businessman and former U.S. Senator from Tennessee.

The Brock plan calls for:

- A full-time political co-ordinator in each of the 50 States, to concentrate on the nuts and bolts of party organization. The co-ordinators will be paid by the National Committee but work under State chairmen.

- A staff of 25 to 30 roving field agents to help in campaigns of Republicans for State or local offices. These field

## G.O.P.'S LOW ESTATE

*Republican rebuilding is starting from one of the party's smallest political footholds in years.*

*Here is how Republicans and Democrats compare in top offices across the U.S.:*

WHITE HOUSE	
President	Democrat

U.S. SENATE	
Democrats	62
Republicans	38

U.S. HOUSE OF REPRESENTATIVES	
Democrats	291
Republicans	144

GOVERNORS	
Democrats	37
Republicans	12
Independent	1

STATE LEGISLATURES	
Total Democratic seats	5,128
Total Republican seats	2,370

Republicans control both houses of legislatures in only five States. They hold one chamber in eight others.

agents also will be funded by the party's national headquarters.

- Task forces of political experts to aid State and local parties in such essential organizational areas as voter registration and fund raising.

- An expanded research division to provide Republican candidates with position papers on key issues and records of their opponents' stands.

- A black-community-affairs division to help in electing blacks to local and State offices. Already, 28 Democratic Congressmen have been targeted for black opponents in 1978.

- An increase in the National Committee's budget from 5.5 million dollars in 1975, the last off year, to 7.5 million this year and to 30 million by the 1980 presidential campaign. Most of the money is expected to come from direct-mail contributions in small denominations.

Brock explained: "If we don't start electing people to city halls and court-houses and State legislatures, we have no foundation on which to build."

**Gerrymandering warning.** Charles Black, newly appointed campaign-operations director, called for a special effort to elect more Republicans to legislatures, citing in particular such States as New York, California, Illinois and Florida. Otherwise, some party analysts contend that Democrats in control of legislatures in big States could gerrymander 25 to 30 Republicans out of U.S. House seats by redrawing congressional-district lines after the 1980 census.

Unveiled at an April 29-30 meeting in Chicago, the party prospectus was ratified by a revamped Republican National Committee.

Illinois State Chairman Don Adams noted: "Now we are talking about electing candidates, not about producing expensive television programs."

George N. McMath, party leader in Virginia, observed that the Brock plan "leaves the State chairman in control." He said that a "good spirit of co-operation is developing between the States and the national organization."

McMath added that the number of Virginians seeking Republican nomination for legislative seats has leaped by a third this year.

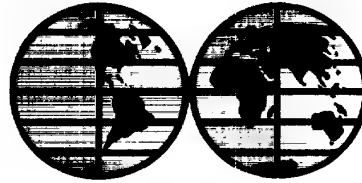
Will the new program save the Republican Party? Political observers say that depends not only on how expertly the Republicans execute their plan, but on public reaction to Carter Administration policies in the future.

As one Republican leader commented succinctly: "We are at rock bottom now—we have no place to go but up."

*The foregoing analysis was written by Political Editor Paul L. Martin and Associate Editor W. Robert Shoup.*

# Worldgram

INTERNATIONAL WEEK ®



FROM THE CAPITALS OF THE WORLD

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The London Summit was only one of many parleys attracting attention. Carter's negotiators were on the move all over the place.

Vietnam. Former enemies began talks in Paris to normalize relations--just two years after Hanoi drove the U.S. out. Some progress reported.

Cuba. First direct Washington-Havana negotiations in more than 15 years produced a fishing accord, added impetus to improving relations.

Panama. Renewed talks on a canal treaty stirred both hopes--and fears.

China. Secret meetings in Washington probed prospects of settling mutual U.S.-China financial claims, a prelude to shipping, airline agreements.

Issues were complex, positions far apart, disagreements inevitable. So caution was the watchword everywhere. Nowhere were breakthroughs expected.

Carter's trouble shooters will step up the pace in weeks ahead. Vice President Mondale planned mid-May visits to five European capitals.

In Vienna, he'll see South Africa's Prime Minister Vorster, push for action on a new Anglo-U.S. plan for installing black-majority rule in Rhodesia.

Secretary of State Vance, after London Summit, will meet with Russian Foreign Minister Gromyko in Geneva to discuss Mideast, strategic-arms impasse.

In short, it's getting to be a red-hot springtime for Carter diplomacy.

Vietnam talks surprised many by their fast start and cordial air.

U.S. agreed to drop opposition to Hanoi's entry into the United Nations. Vietnam promised to step up search for Americans missing in action. But . . .

There's sticky going farther down the road. Hanoi wants U.S. to end its trade embargo immediately. U.S. insists that is part of the normalization process yet to come. Vietnam also insists on American "responsibility" to pay for healing its war wounds. The White House doesn't rule out a helping hand absolutely, does reject any idea of giving the Communists "reparations."

A point to note: Any aid package will have tough sledding in Congress. Senators, Representatives solidly oppose aid that implies war guilt.

As for Cuba, the ball now is in Castro's court.

Washington has granted Cuban fishermen expanded rights in American waters, has lifted its ban on travel to the Communist island. So it's Havana's turn to show "good faith." For example: Let U.S. citizens still living in Cuba leave with their families, release those still in Cuban prisons.

What Castro wants first of all is for the U.S. to lift its trade embargo

(over)

U.S. NEWS & WORLD REPORT, May 16, 1977

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Spain's moderates are breathing easier now that Prime Minister Suarez has

## Report From Lebanon

# Leaky Truce and Lingerin Misery

### BEIRUT

Months after the truce that brought Lebanon's bloody civil war to an official end, the fighting, dying and economic stagnation go on.

The optimism that the resilient Lebanese would quickly bounce back from the conflict that left 40,000 dead and the "Switzerland of the Middle East" in ruins has all but faded.

"I put it bluntly," states one American banker here, "confidence in the future does not exist."

The evidence is all too plain to see:

- On the military front, there are eruptions of fighting that often seem a continuation of the bitter 19-month-long civil war. In Southern Lebanon, savage battles broke out in mid-April between Christians armed and backed by Israel and Palestinian and leftist Moslem forces seeking new staging areas to launch raids on Israel.

- Elsewhere, only the presence of the 30,000-man Arab League peace force—mostly Syrian troops—keeps a lid on Christian-Moslem hostilities.

- In the words of a Lebanese journalist: "Nobody believes the war is over."

- On the economic scene, the millions of dollars of capital that fled the country are not returning. Even small merchants are hesitating to rebuild their shops and factories. The Government's plans to rebuild battered commercial areas remain on the drawing boards. The assistance pledged by oil-rich Arab states has failed to arrive.

- On the political scene, President Elias Sarkis is making little headway pacifying the warring factions. His Government of technocrats has so far failed in its twin missions—to speed reconstruction and to weaken the warlords who have run Lebanon since 1943.

**Common hatred.** The only unifying force in the country is a common hatred of the Syrians. They entered Lebanon to help enforce the truce, but are seen by practically everyone as an occupying force. "Everybody hates the Syrians, and we will drive them out of our country one day," says a Christian militiaman.

The key to President Sarkis's hopes of restoring normalcy is the rebuilding of the shattered Lebanese Army into a capable military force. That would enable him to press for withdrawal of the Syrians. But reconstructing the armed forces is easier said than done. The split between Christians and Moslems that led to disintegration of the Army in the

first place shows no sign of healing.

An even more overwhelming problem: how to set the stage for economic recovery. The Government has been trying to ease the burden of its citizens with new laws providing for delayed payment of rents, for back wages and for insurance of new investments. But these only scratch the surface.

Before the civil war, Lebanon had a service economy that thrived on banking, tourism and transport of goods from Lebanese ports to other Arab countries.

Now port facilities and tourist hotels are charred ruins. Bank deposits have gone elsewhere. So have many of the foreign business firms that once crowded the capital. Few are expected to return soon, either. Executives have discovered they usually don't need the Lebanese as middlemen—it's easier to deal with Arab sheiks directly.

Experts say it will take years and huge sums of money to repair the war damage. Losses in the Beirut port area alone may be as much as 600 million dollars. Outside help is a must.

President Sarkis is clearly disappointed in the amounts of foreign assistance Lebanon has received so far. The U.S. has pledged 50 million dollars, and American experts are busy helping Beirut rebuild bombed-out housing. But total aid from other sources amounts to only another 50 million dollars.

Some prospective lenders abroad are waiting for the Lebanese Government itself to kick in more money for redevelopment. Flying Lebanon's 1.4 billion dollars in reserves, one European banker comments: "They have all this money in the bank and won't use it. Why should they expect others to give them aid?"

High finance doesn't mean much for the ordinary Lebanese. For him, life is as tough as it was during the war. Few have been able to return to work. The number of jobless is estimated at 270,000 in a population of only 3 million. At the same time, prices are soaring.

Throughout the country, bitterness between Christians and Moslems runs so deep that sometimes not even the wide-



Bulldozer with armed guards clears a street in devastated Beirut. Lack of money hampers efforts at reconstruction.

spread presence of Syrian patrols can prevent "revenge" killings on a large scale. When leftist leader Kamal Jumbatt was assassinated by unknown gunmen on March 16, his Druze followers killed more than 100 Christian villagers in retaliation. Earlier this year, the right-wing Phalangist militia massacred more than 150 people, mostly Moslems, after a bomb killed 30 of their followers.

**Will Syrians leave?** With killing still a way of life, with private armies ready to resume the struggle, there seems little likelihood that the Syrian forces will be withdrawn soon.

Concedes one Lebanese journalist: "If the Syrians withdrew, there would be fighting everywhere in 24 hours."

As many Lebanese see it, the only real solution to their problem is an over-all settlement of the Arab-Israeli conflict that will provide a homeland for the Palestinians. There are 400,000 of them in Lebanon—frustrated, despairing, the perfect catalyst for violence.

Hoping to ease tension, President Sarkis conferred with Yassir Arafat, leader of the Palestine Liberation Organization, in late April but so far there are no signs of a cooling off.

The Lebanese know that despite likely new Mideast peace talks in the autumn, a settlement between Arabs and Israelis may not come for years.

And even then, the future may never replace the past. As one banker put it: "Given peace in the area, the Lebanese probably can rebuild this country. But it will never be what it was before, and it never again will be the Switzerland of the Middle East."

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# TAMING A 148-BILLION-DOLLAR FEDERAL GIANT: WILL ANYTHING WORK?

## Special Report

**Not yet three decades old, the Department of Health, Education and Welfare is still growing relentlessly—and stirring increasing criticism. Now reform is being planned for an agency that touches nearly everyone.**

The U.S. Government's No. 1 spender, the Department of Health, Education and Welfare, is promising under new leadership to control the massive problems of the nation's fastest-growing bureaucracy.

If there is success, it will come where other efforts have failed. Bringing to rein the headlong growth of a Department that now oversees more than one third of all federal spending has not proved possible so far.

With a budget of nearly 148 billion dollars this year and forecast at 164 billion in 1978, HEW has been accused of a broad range of misguided efforts. Among them: ignoring welfare graft, abetting excessive red tape, creating a top-heavy layer of administrators and allowing heavy-handed enforcement of policies.

There are widespread demands for vast changes in the Department, including a breakup of a sprawling bureaucracy that has grown in the 24 years since its founding from a staff of 37,000 to 157,000.

Declares Senator Lawton Chiles (Dem.), of Florida: "HEW is out of control. We must decide how to harness it, and do so as quickly as possible."

The Department's new Secretary, Joseph A. Califano, Jr., agrees that some programs have been mismanaged. He has taken steps to attempt to simplify procedures and make HEW more efficient.

At the same time, he has pledged to expand other programs—such as Head Start, which provides preschool training for low-income youngsters—initiated by the late President Lyndon Johnson in his Great Society efforts with the help of Califano, who was then a White House adviser. Critics contend that the expansion of projects will cost many millions more and increase the bureaucracy still further.

The heat generated by the controversy has spilled into the private lives of HEW officials. Califano has been widely criticized for such actions as hiring a cook for his personal use in the Department, even though many officials in other Government branches also have chefs. The practice is defended on the ground that long hours on the job make private in-house dining necessary.

Few critics of HEW are opposed to its over-all aims. Such programs as Social Security, medicare for the elderly and disabled and aid to the nation's schools are widely acclaimed for having raised living standards of millions of Americans once overlooked by the Government. It is the excesses and abuses arising out of various programs—inevitable, some say, in such massive efforts—that have caused most of the furor.

**A dominating force.** The burgeoning of HEW in just over two decades has been spectacular. Created in 1953 under a Republican Administration, the Department began with a

relative handful of research and service programs aimed largely at helping people in need. Total spending in the first year was 1.9 billion dollars.

Since then, HEW's annual budget has risen almost 7,700 per cent. Employment has climbed 326 per cent. In terms of personnel, it has become the fourth-largest Department of the Federal Government.

In a single stroke spending more than quadrupled in 1963 when Social Security was folded into the Department. With some 33 million beneficiaries of its medicare and cash-benefits programs, Social Security still dominates the HEW budget.

More than 105 billion dollars will be paid out in the current fiscal year in Social Security cash and medical benefits. Another 36 billion dollars will be spent, much of it in grants to States, in programs such as aid to families with dependent children, medicaid for the needy, social services, supplemental-security income and black-lung benefits. Spending under these programs is considered virtually uncontrollable because everyone meeting certain eligibility requirements is entitled by law to receive benefits.

Only about 17 billion dollars in the entire HEW budget is subject to annual review by Congress and, therefore, considered controllable.

Today the Department administers 381 statutory programs that, in one way or another, touch every American. Its rainbow of interests ranges from the care of pregnant women to feeding the elderly. Even the children's TV program "Sesame Street" is sustained partly with HEW funds.

The Department's wide-ranging responsibilities include operation of one of the world's leading health-research centers, the National Institutes of Health, in Washington, D.C. The Center for Disease Control in Atlanta, which played a major role in the swine-flu program, is another HEW branch with a global reputation. HEW's Food and Drug Administration has a long and controversial record of protecting the interests of consumers.

In the 1960s and 1970s, HEW has been in the forefront of some of the most complex and controversial issues of the times: the human upheaval caused by a changing economy,



Secretary Califano discusses plan to revamp the HEW bureaucracy, which he says has grown cumbersome and ineffective

legalized abortion, genetic research, disintegration of family living, the cost and quality of education, the welfare explosion and attempts to end discrimination by race, national origin, sex or age.

Whether the Department is advocating busing of children to achieve racial balance in schools or ordering a ban of saccharin to protect people's health, it seldom has failed to arouse the passions of its friends and enemies alike.

**Programs added willy-nilly.** Hundreds of expensive and noble-sounding social programs—some actively sought by the Department, some created almost willy-nilly by Congress—have been handed to HEW in recent years.

Some goals that sounded feasible in the abstract have proved difficult to achieve. In many cases, funds simply have not been available to carry out the grandiose aims set forth by Congress in the authorizing legislation.

Former HEW Secretary Elliot Richardson has said that the dollar gap between what Congress authorizes and what it actually appropriates to run a program is "a political shell game." Hopes are raised only to be dashed, he noted in a blistering critique of HEW at the time of his departure from the Department in 1973.

To stay within spending limits set by Congress, program managers often have to pick and choose who among the needy will be helped or to spread programs so thin that they have almost no impact. Inevitably, said the former Secretary, the result has been disappointment and anger directed at the Department, usually followed by demands from special-interest groups for more funding.

The cost of extending the present range of HEW services equitably, Richardson asserted, would require additional spending "roughly equivalent to the entire federal budget."

Once started, programs at HEW almost never die.

They tend to live on, with their own growing constituencies and entrenched bureaucracy, after they are no longer needed, and even after their failure may have been amply demonstrated. "Programs are only put in; we don't take them out," says Senator Chiles, who advocates much closer periodic evaluation of HEW's activities.

Some programs that may be of questionable value are supported by organized interests that Congress does not want to antagonize. Other programs are perpetuated because they have become the pets of powerful members of Congress, whose names the enacting legislation often bears.

Secretary Califano told *U.S. News & World Report* that he would not hesitate to recommend abolishing "programs that

don't work." But, he added: "I guarantee you that over the next four years, the problem in getting rid of those programs will be more on Capitol Hill than with the executive branch. That has been the experience throughout."

For 20 years, Presidents and HEW Secretaries have urged Congress to eliminate or reduce funding for impact aid to school districts where there are federal installations. In theory, the money compensates local areas for the extra burden of having to educate children of federal employees. The Federal Government does not pay local taxes.

But to critics of the program, impact aid is just another term for pork barrel. It "is not an effective or equitable way to distribute federal education funds," argued Califano before a House Appropriations subcommittee.

**"Sacred cows."** The Carter Administration has proposed cutting impact aid by about half next year—to 370 million dollars. The White House also has asked Congress to chop spending for nurses-training programs, which the Administration says are no longer needed, and to suspend new appropriations for direct student loans, which officials say are already adequately funded.

When Califano outlined these proposals to the House Appropriations Subcommittee on Health, Education and Welfare in March, Chairman Daniel J. Flood (Dem.), of Pennsylvania, warned the Administration that it was tinkering with "sacred cows."

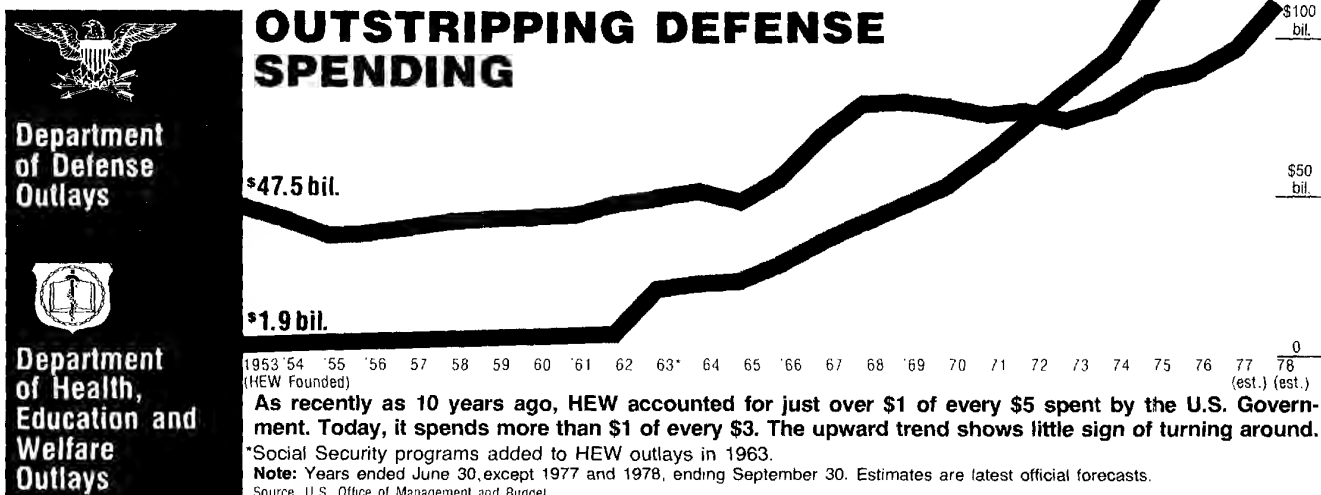
"Now, you do not seriously think that Congress is going to accept those proposals, do you?" Flood asked.

Pressure groups long ago learned that Capitol Hill is a rewarding place to come to when they want to involve the Federal Government in new social endeavors or to expand the size and scope of existing ones. Says a House member: "Everybody is running [for re-election] every two years, and he is contacted by every pressure group under the sun."

Experts in social legislation say that Congress keeps on creating new programs, often with scant regard to how they will be administered, who will benefit from them or how they will be financed.

There is confusion, too, because Congress seems to speak to HEW in many different voices. Legislation affecting the Department is controlled by more than 30 separate congressional committees and subcommittees. Each seems to have its own priorities and approach to how the Department should be run.

Some programs technically within



# Tough Road Ahead for Carter's Welfare Reform

**M**ASSIVE PROBLEMS lie ahead for President Carter as he undertakes to untangle the nation's welfare mess.

Plans to scrap the current hodgepodge of programs were outlined by the administration on May 2—and came under immediate fire from Congress.

At the heart of its plan are two basic principles: a job for "every family with children and a member able to work," and a "decent income ... for those who cannot work."

The President said he could accomplish these and other welfare reforms with "no higher initial cost than the present system," a claim that was immediately challenged by some experts.

The present program, financed jointly by the federal, State and local governments, involves 37.8 billion dollars, of which the federal share is 23 billion.

Details of the Carter welfare proposal have yet to be worked out, but officials said it would contain these elements:

- A single program of cash payments would replace some individual programs now available to the poor.

- Recipients would get federal payments varying in amounts only to take care of differences in living costs from one area to another.

- An extensive program would be established to create public and private jobs for the able-bodied who cannot otherwise find work. With the Government becoming, in effect, the employer of last resort, up to 2 million new federally financed jobs may be needed, officials estimate. Under normal circumstances, such a program would entail at least 10 billion dollars in wages.

- Tax credits paid in cash would be given to working families with exceedingly low incomes. Under the existing setup, it is often more lucrative for the poor in some States to go on welfare than to take a low-paying job. The new program is supposed to make it more financially attractive to work, even for low wages.

**Focus of plan.** The President's plan would place heavy emphasis not only on jobs and simplicity of administration but also on "adequate assistance for those who cannot work, equitable benefits for all needy American families and close cooperation between private groups and officials at all levels."

Carter, who during the 1976 campaign placed welfare reform high on his list of domestic priorities,

promised that legislation spelling out his program would be sent to Congress by the first week of August.

Still to be resolved are these questions:

How to separate the employable poor from the rest of the welfare population.

How to break the cycle of welfare that holds some families for generations.

How to consolidate about 40 billion dollars in welfare programs while improving administrative efficiency and guarding against increased fraud and waste.

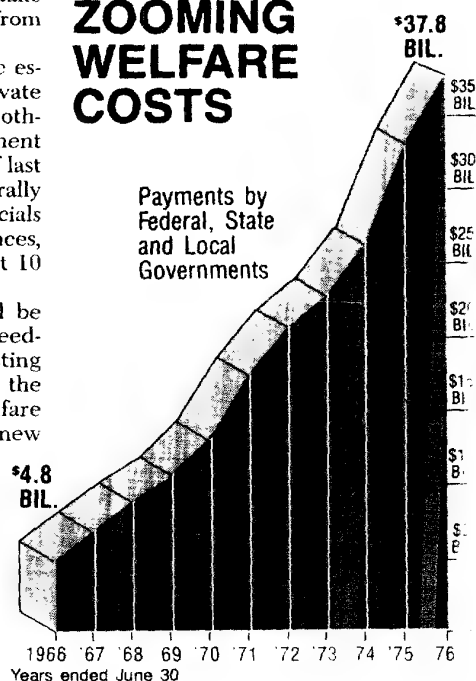
A crucial aspect of the Carter plan about which Congress and others already are demanding to know more is its potential cost.

Senator Daniel P. Moynihan (Dem.), of New York, chairman of a subcommittee that will consider the proposals, questioned what the President meant when he said the "initial cost" would be no higher than the present system.

Representative Robert Michel (Rep.), of Illinois, said he did not see how the reforms would result in anything but higher welfare expenses.

Criticizing the Administration for not

## ZOOMING WELFARE COSTS



**COSTS TODAY** are running 8 TIMES what they were a decade ago — with more hikes expected.

Source: U.S. Depts. of Health, Education and Welfare and Agriculture

...ishing more details of its plan, Michel added: "This is all so much baloney. There isn't any substance to this."

Califano himself concedes that there are difficulties in determining how the overall costs will compare with current welfare programs.

Every single state has a different welfare program," with a "crazy quilt of benefits," he observed. Each must be examined, he said, before a total figure can be derived.

State and local governments hoping for federal take-over of all welfare-financing responsibilities were disappointed with Carter's proposal. The President's statement noted only that he favored such shifts "as rapidly as federal resources permit."

Troubling many who have studied the new proposals is the problem of setting a national standard for cash welfare payments. The Administration wants to wipe out the wide discrepancies in benefits that now exist from one State to another.

HEW officials say that any national welfare standard probably will be modeled more closely to New York's level of \$2,859 per poor individual than to Mississippi's \$530.

Last year, the national average of government spending per poor person was \$1,389, according to a tabulation by the *National Journal*.

Another difficult and expensive undertaking, according to the experts, would be a program to provide jobs for poor people who can work. Administration officials said the cost—estimated at \$5,000 per job annually—could be financed with funds that already are budgeted for public-service employment under the President's economic-stimulus package.

**A sharp shift.** Carter's proposal is similar in many respects to former President Nixon's 1969 recommendation for a guaranteed minimum annual income—the so-called Family Assistance Plan.

A major difference, however, is the new emphasis on creating employment as part of an over-all approach to welfare. After years of debate, Congress ultimately rejected the Nixon reforms, partly, lawmakers said, because of the absence of a jobs provision.

Capitol Hill sources say that it is unlikely that Congress will get around to voting on a welfare-reform package this year.

Even if Congress adopts such legislation in 1978, Carter noted, an additional three years will be required to implement the program and clean up "the welfare mess."

"It is worse than we thought," the President concluded.

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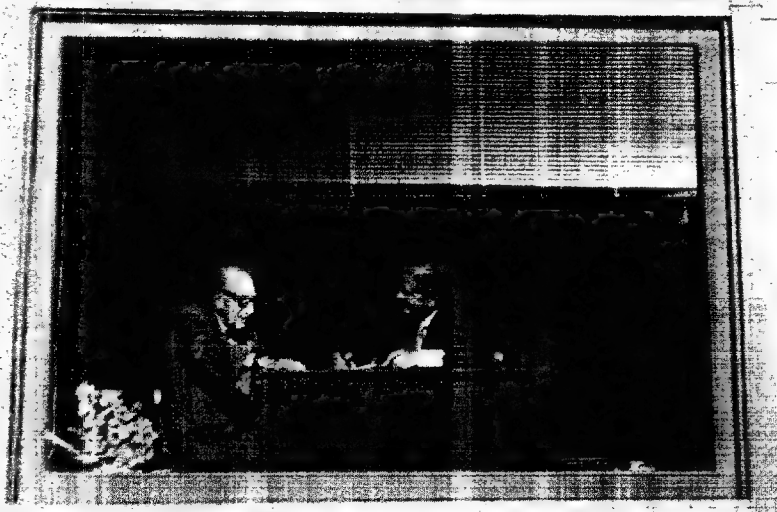
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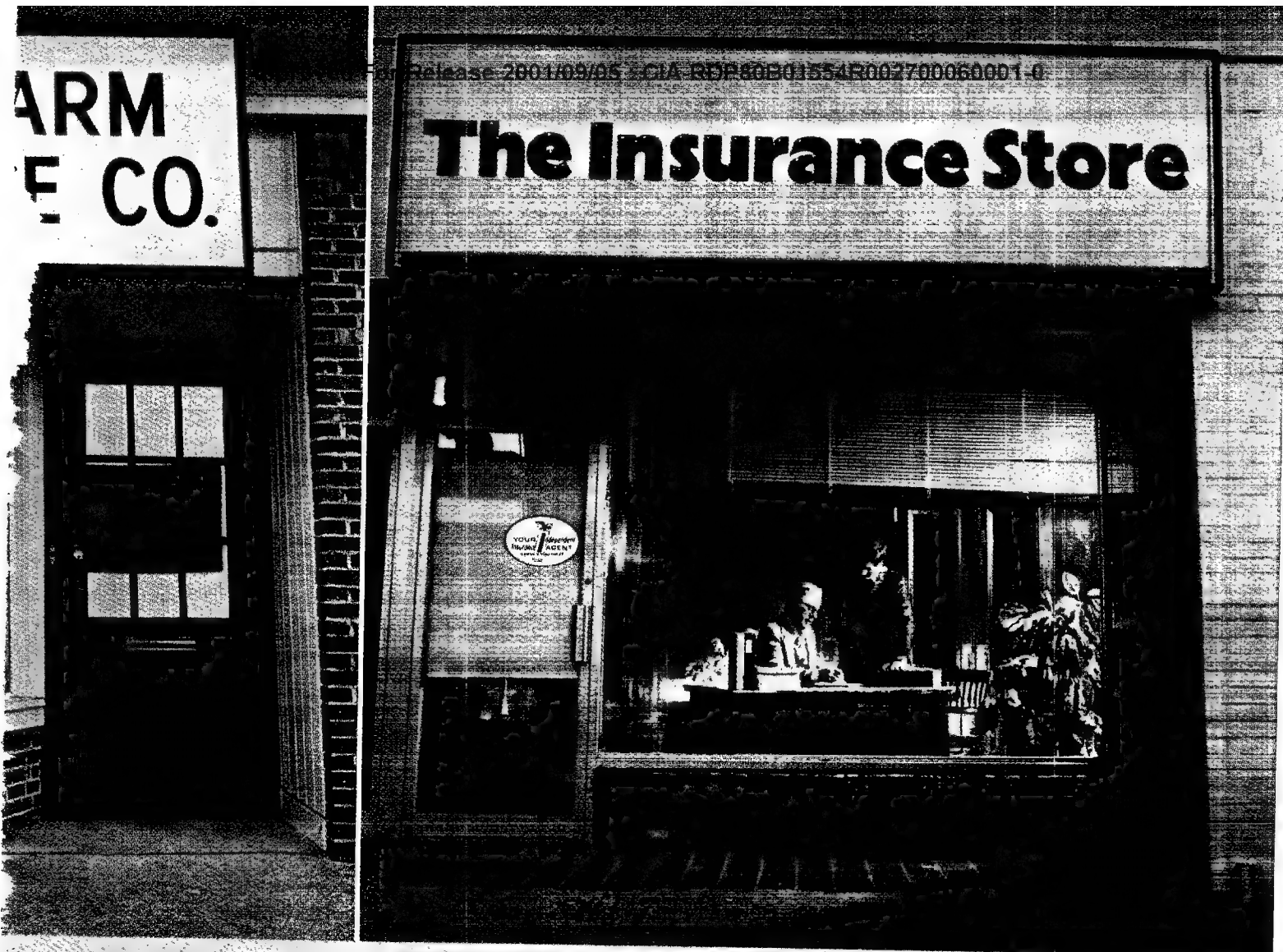
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And why, in fact, millions do.



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## High-Priced Players

# WHAT INFLATION IS DOING TO THE WORLD OF SPORTS

**Huge contracts for players, often running into millions, are changing the face of professional sports. Who'll foot the bill? The fans, in the end.**

Turn to a newspaper's sports pages today and you're likely to find stories about lawsuits, strikes, mergers, rich television deals—and young athletes' winning multimillion-dollar contracts.

Such news has not only irritated the sports fans. It has cost them money. And it has produced a revolution in professional sports in America.

For most athletes, this revolution has been enormously rewarding.

The average pay in baseball's major leagues has nearly doubled in the last seven years—to an estimated \$50,000 in 1976 and what will surely be a much higher figure this year. At least 10 players now are paid a quarter of a million dollars or more for six or seven months' work. Three players each get at least \$400,000 in salaries alone.

Basketball salaries are even more fantastic. The average in the National Basketball Association is \$126,000—up from about \$40,000 in 1970. A few superstars get more than \$500,000.

In the National Football League, pay averages about \$50,000 per player, with

salaries ranging up to superstar O. J. Simpson's \$750,000.

A typical player in the National Hockey League receives \$90,000 a year—three times the average in 1972.

For team owners, this revolution has created serious financial problems and forced drastic changes in long-established methods of operation.

And the customer—the fan—winds up paying the added costs, as usual in any type of business. Ticket prices are rising almost everywhere.

**Private contracts.** Inflation is not the only problem confronting professional sports. As a result of court rulings and of new agreements that player associations have won from team owners, many players now are able to break away from the teams that "own" them, and sell their services to the highest bidder.

An example: Outfielder Reggie Jackson played out his option with the Baltimore Orioles and got a contract with the New York Yankees that—including such benefits as a million-dollar, interest-free loan and a \$63,000 Rolls-Royce—will be worth an estimated 3 million dollars over a period of five years.

One result of this new freedom for athletes is that rich clubs are signing up the top talent, while clubs with less money are losing their best players. Now, especially in baseball, it is easier than ever before for an owner to "buy" a championship.

One thing that has played a major role in revolutionizing sports is television. It is the big and ever-rising income from televising games that has helped owners keep up with rising costs.

The fact that fans now can sit at home and watch their favorite teams on TV seems not to have hurt attendance, which is increasing in most sports. But it has forced ticket-buying fans to sit through repeated "time outs" for commercials and forced teams to play games at unusual hours to get them in "prime time." It was TV's demands that produced the first World Series games at night.

Perhaps the most significant change in professional sports, however, is in the relations between players and owners. Once players were in virtual bondage. Now they are in virtual command. And agents and lawyers have taken over the negotiation of contracts for most of the stars.

The effects of all these changes are seen in the following reports about the four major team sports—baseball, football, basketball and ice hockey.

### BASEBALL—A TIME OF TRIAL

"This is a crucial year for baseball," says Bill Veeck, president of the Chicago White Sox.

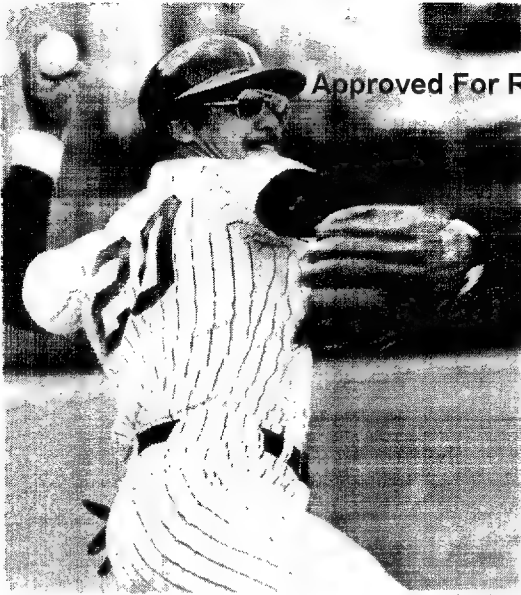
"What happens this year may tell the future of the game," says Bill Giles, executive vice president of the Philadelphia Phillies. Giles predicts: "We'll probably wind up in a few years with fewer major-league teams because some clubs simply won't be able to make it, financially. We might even lose some teams as early as next year."

The cause for such worries is what Giles calls "a financial revolution" in baseball. It's a revolution that has sent the costs of running a major-league team skyrocketing.

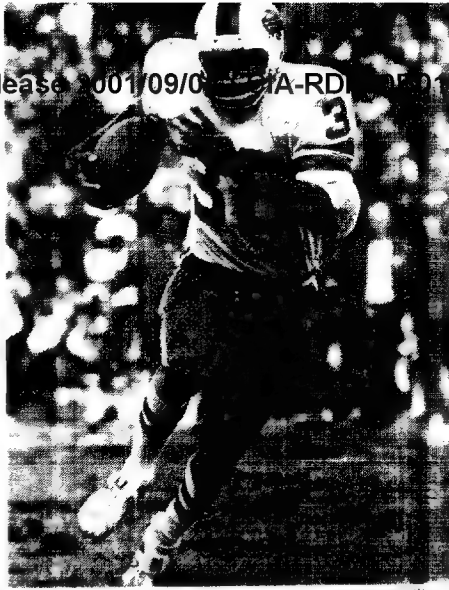
The Phillies provide a dramatic example. According to Giles: In 1969 the Phillies' total costs were 4 million dollars. Last year they were 12 million. Costs had tripled in just 7 years.

**A court's ruling.** Baseball's financial upheaval began early in 1976, when a federal court struck down the "reserve clause" that, for nearly a century, had bound each player to the club that originally hired him. He could get away only by being traded or sold to another team or being dropped from the roster. Even if a player refused to sign a new con-





Reggie Jackson—a \$3-million contract



O. J. Simpson—he gets \$. 50,000 a year

## INFLATION IN SPORTS

[continued from preceding page]

tract, an owner could hold him under an option clause in his old contract.

The court held that to be illegal. It said a player could obtain his freedom by playing out one "option year" after the end of his contract.

This led to more-liberal rules in the player-management contract that the Major League Baseball Players' Association won from owners last summer.

Now a player can become a "free agent" after six years of big-league service, with no option year required. There is no financial compensation to a club that loses a free agent. A player can demand to be traded after five years in the majors, and designate six clubs to which he will not accept a trade.

**Shift of stars.** The immediate result of the new rules has been a massive shift of stars from one team to another. Two dozen players gained their freedom last year, and most of them moved to teams that offered them more money. Others, like Cincinnati's Pete Rose, used the escalation of salaries to win more pay while staying with the same club.

The boxes on page 55 show the kind of salaries that top players now receive.

Many players who refused to sign new contracts for this season are playing out their options now and will become free agents next October.

What happens then? Will there be another massive shift of baseball talent? Will these new free agents win huge salaries such as those obtained by players who jumped in the last year?

It's not only the rising cost of salaries that frightens owners. Some fear that the new rules will wreck the stability of baseball operations.

No longer can an owner count on retaining the players with whom he built a winning team.

The plight of the Oakland A's and the Baltimore Orioles shows why owners worry. Both of those teams have been decimated by the loss of stars who became free agents and moved to other teams for more money.

"We will see the wealthy clubs end up with all the best talent," predicts Philadelphia's Giles. "In fact," he adds, "we are already seeing it."

Both Gabe Paul, president of the New York Yankees, and Chicago's Bill Veck predict that the bidding for baseball talent will not continue to be as high as it was in the last year. But one well-informed official describes that as "just wishful thinking."

Sixteen of the 26 major-league clubs have raised ticket prices this year. But baseball officials agree that attendance must go up, as well.

"Once a yearly attendance of 1 million was considered enough for an average team to make a small profit," according to one veteran in baseball affairs. "But today the figure is probably closer to 1.4 million—just to break even. And a team like the Yankees, with its hefty payroll, would need 2 million."

Last year, even with major-league attendance hitting an all-time high, only nine of the 24 teams drew as many as 1.4 million fans. And only 10 teams are reported to have made a profit.

This has dimmed prospects of another expansion like that which added Seattle and Toronto to the American League this year. But there is talk of shifting some shaky franchises to different cities.

**Critical years ahead.** Baseball Commissioner Bowie Kuhn concedes that "not only this year, but the next three or four years are critical." However, he predicts that the recent changes are "not going to destroy baseball or any of the other sports."

Marvin Miller, executive director of the Major League Baseball Players' Association, discounts fears that rich teams

will get all the talent. He says: "Look at what has happened so far. Only a couple dozen players became free agents—not hundreds. And they did not hook up with the rich teams in glamorous cities, for the most part. Instead of imbalance, you have better balance than before."

Miller suggests: "If there is a financial problem in organized baseball today, it is not inadequate over-all revenues. The problem lies in the way it is distributed. Owners need to adjust the division of gate receipts and television revenues."

Giles suggests: "One potential that excites me is pay TV. That may help to save some baseball franchises."

## FOOTBALL—PEACE RESTORED

After three turbulent years, the National Football League has emerged as probably the soundest and most stable operation in pro-team sports.

Yet football, like baseball, hockey and basketball, has been rocked by lawsuits, strikes and inflation.

It was only on March 1 this year that the signing of a new agreement between players and management brought a return of peace and revived hopes of long-range prosperity.

NFL Commissioner Pete Rozelle expresses his relief in these words: "Sports has had too much of internal strife. It turns off the fans. In the last few years, my mail has reflected a growing disenchantment. We were getting increasing complaints about the fighting between owners and players."

"The public doesn't like to see that as a part of sports. People can read that kind of news in the rest of the paper. They turn to sports for entertainment and escape."

**Return to golden age?** Now, with the infighting ended, football hopes to get back to its golden era when scores and the Super Bowl were the big stories—not lawsuits and strikes.

Salaries have shot up in football, largely as a result of competitive bidding for talent between rival leagues. But they haven't rocketed like those in baseball. The football box on page 55 shows only four players earning \$250,000 or more. The \$50,000 average salary in the NFL is the lowest among the four major team sports, partly because football has the biggest team rosters of any sport, and its teams play the fewest games.

Edward R. Garvey, executive director of the NFL Players' Association, predicts that the pay of average players will go up more than that of top stars under the new contract. But Rozelle predicts that the stars will profit, too, because their increased chances of becoming free agents give them more bargaining power against the owners.

As in baseball, it was court rulings that

tighten up, especially on the huge grants and other payments to States for such State-run programs as cash welfare benefits and medicaid for the needy.

For years, HEW officials argued they had little authority to force the States to crack down on waste in welfare, even though more than half of the total funds for these programs comes from the Federal Government. There was no over-all policy to encourage State and local program administrators to hire more investigators and auditors or to computerize their growing lists of beneficiaries and service providers.

Until 1973, there was just one investigator responsible for policing almost all of the Department's multibillion-dollar activities. Only Social Security, which is administered from Washington and had its own well-regarded bureaucracy in place when it joined the Department in 1963, had maintained a steady record of ferreting out and prosecuting program fraud and abuse.

Although more investigators recently have been hired, Congress still is far from satisfied that enough is being done.

Last year, a House Government Operations subcommittee charged that the people at IHEW were reluctant to reveal abuses and inefficiencies that might reflect unfavorably on the officials directly responsible for various programs. Said the panel: "Even when serious deficiencies became known to responsible officials, corrective action was sometimes not taken until literally years later."

Congress this year has ordered IHEW to establish an Office of Inspector General, with an initial staff of 100 investigators and 900 auditors. To enhance his independence, the Inspector General will have a fixed term and will be directly responsible to Congress as well as the HEW Secretary. Califano says the new office is "an important self-policing mechanism that has been sadly lacking in the Department."

Under an agreement worked out between Califano and Attorney General Griffin Bell, agents from the Federal Bureau of Investigation have been assigned to assist HEW investigators until the Inspector General's office is operating at full capacity. "Today IHEW has 270 cases in more than 140 cities ready for active investigation," Califano pointed out.

Thomas D. Morris, a former Assistant Comptroller General of the U.S., has been named to head the new office. Califano told Congress that he expects Morris to apply the same strict auditing procedures he installed at the Comptroller General's operation.

Has HEW grown too big for anyone to manage? Should it be broken up into two or more separate departments?

Some people think the combination of health, education and welfare functions is an unnatural marriage that will never work out. Others argue that the three vast fields should go hand in hand, since they share the same basic goal: improving the way people live. But in March, Senator

## *In a Small Midwest City*

# WHERE HEW MONEY BRINGS HELP—AND GROWING FRUSTRATION

ALBION, Mich.

In this southern Michigan city of 12,000, you can see at first hand the impact that one federal agency is having on American communities.

Albion is a turn-of-the-century-style town with a red-brick main street, quaint Victorian houses and stately farms just several blocks from the downtown area.

It is largely a blue-collar town with at least 35 factories that make everything from air conditioners to metal castings for auto companies. The population is 33 per cent black and 6 per cent Latino. The unemployment rate is 13 per cent, mostly because of the closing in 1975 of a glass plant that employed 1,000.

**A lion's share.** Some residents fear the growing dependence on the U.S. Department of Health, Education and Welfare and other agencies.

Albion gets a larger share of HEW funds than most cities its size because of its population and employment problems. Last year, HEW spent \$600,000 here on public schools and a college.

In the last year, the agency provided the city schools—mainly through State or local agencies—a total of \$272,000 for programs involving about half the district's 3,300 students.

A departmental grant of \$70,000 is paying for a bilingual kindergarten for English and Spanish-speaking students and, in other grades, for programs in Latino history and culture.

Other HEW grants allocated to the

local schools a total of \$202,000 for various reading programs, materials and laboratories for at least 1,400 students. In addition, the U.S. Department of Agriculture gave the schools \$142,500 this year for free and reduced-price lunch programs for at least 1,200 students.

Superintendent Garth Errington of the Albion public-school system says that he occasionally is frustrated by HEW's red tape.

He observes: "Sometimes the paper work seems overwhelming. But then I realize that with IHEW money, we've been able to help our students who are low achievers. At our level of State and local funding, we could never afford to do it alone."

Another major recipient of funds is Albion College, a private, liberal arts, Methodist-affiliated institution that has 1,700 students. It is the most expensive college in the State, with tuition, room and board at \$4,540 this year.

During the current fiscal year, Albion College will receive \$344,968 from IHEW for campus programs. At least 250 students will get direct HEW aid.

Other campus projects getting IHEW aid include the work-study program helping 60 students earn their way through school, grants to 160 students from low-income families and about \$4,000 for new books and journals for the college library.

"HEW grants are good, but we draw the line when it looks like the Government may interfere with us and tell us

how to run this institution," says Bernard T. Lomas, president of the college.

The city government itself gets no HEW money. But it makes "extensive" use of other federal-agency grants, says Neal Godby, city manager. "We prefer to apply for other federal money, such as general revenue sharing, because there are fewer strings attached."

**Other aid.** The Federal Government spent at least 2.2 million dollars here in the last fiscal year alone on more than a dozen programs. The largest grant last year was 1.5 million dollars from the Environmental Protection Agency for a waste-water-treatment project.

Area residents also receive sizable amounts in other HEW funds, including more than \$500,000 a month in Social Security benefits to about 2,600 individuals. Estimates are that local citizens are paid between 2 million and 3.5 million dollars in federal welfare funds—covering such activities as food stamps, medicaid and aid for dependent children.

Albion Community Hospital reports that 30 per cent of its patients received medicare benefits last year and 11 per cent were covered by medicaid.

HEW and other federal funds have been a big windfall, but civic leaders are wary of depending on them too much.

"If all federal funds were cut off tomorrow, I don't think anything in this town would have to shut down," declares Albion Mayor Charles Jones. "We're not leaning too heavily on the Federal Government."

## A WHO'S WHO OF "CLIENTS"

*It is a rare American family that goes untouched by one or another of HEW's programs. Among those who will get direct cash payments or other benefits this year—*

- 33 million people on Social Security.
- 25 million low-income people receiving medicare benefits.
- 15 million aged and disabled who get medicare.
- 12 million persons helped by Aid to Families with Dependent Children.
- 6 million schoolchildren benefiting from education programs.
- 5.4 million men and women with federally insured college loans outstanding.
- 4 million or more aged, blind or disabled who get supplementary-security income.
- 1.2 million handicapped receiving rehabilitation aid.

Of these and others, millions get help from two or more HEW programs.

## THE HEW CONGLOMERATE OF AGENCIES WITHIN AGENCIES

*The Department of Health, Education and Welfare, a conglomeration of agencies, reaches out through a synnag of arms. These well-known branches provide scores of social services across the country:*

**Social Security Administration.** Handles Social Security payments and all other cash-assistance programs, including Aid to Families with Dependent Children and Supplemental Security Income.

**Public Health Service.** Includes the Health Services Administration, the Health Resources Administration, the Center for Disease Control, the National Institutes of Health, and the Alcohol, Drug Abuse and Mental Health Administration.

**Food and Drug Administration.** Part of Public Health Service, it sets standards for certain foods and drugs, licenses drugs for manufacture and distribution.

**Health Care Financing Administration.** Supervises medicare and medicare, including policing of quality control and fraud and abuse.

**Office of Education.** Plans and supervises all federal-assistance programs to the nation's schools.

**Office for Civil Rights.** Works primarily to get school districts to ban race and sex discrimination.

**Office of Human Development.** Oversees all human-development and social-services efforts, such as the Head Start education program for low-income preschool children, programs for youth runaways and rehabilitation services.

## TAMING A WELFARE GIANT

*(continued from preceding page)*

Abraham Ribicoff (Dem.), of Connecticut, and 28 of his colleagues introduced legislation to split off education as a separate department. Ribicoff, who headed HEW in the 1960s, said "the unmanageability of HEW is widely known." Because of the Department's immense size, he added, "leadership to handle the vast range of educational issues and programs is almost impossible."

In his campaign, President Carter endorsed the concept of a separate Department of Education, but there were indications he may be having second thoughts about it.

Califano has made it plain that he wants HEW to remain intact. "It is important that social and human services be closely related," he says, "and I think that they can be closely related."

The Secretary maintains that many if not most of HEW's problems can be solved through internal reorganization.

**A design to "streamline."** Califano has already announced one major reshuffling of responsibilities, calling these changes "the most far-reaching" in Department history. The restructuring, according to Califano, "will simplify and streamline HEW operations, and help make possible effective program management, sound financial control and coherent delivery of social services."

No legislation was necessary under the reorganization and much of it has already gone into effect. In the new arrangements, there are five operating divisions covering broad areas of endeavor, such as cash-assistance programs, previously handled by many offices. The system is supposed to eliminate needless spending, serve as a cross-check against fraud and abuse, and bring the Federal Government into closer interaction with State and local governments.

The surprise departure in late April of the man slated to be HEW's "top doctor" has cast a shadow over at least one phase of Califano's reorganization plan—that dealing with health policy. Dr. Christopher Fordham III, awaiting Senate confirmation, decided abruptly that he did not want the job of Assistant Secretary for Health and returned to his home in North Carolina. It was reported that Dr. Fordham, among other reasons, was dissatisfied with the reduced authority he would have under the new setup.

Despite such problems, Califano predicts that the reorganization package will produce a savings to taxpayers—mostly through a reduction of opportunity for fraud and abuse in programs—of 1 billion dollars in the first two years, and 2 billion a year by 1981.

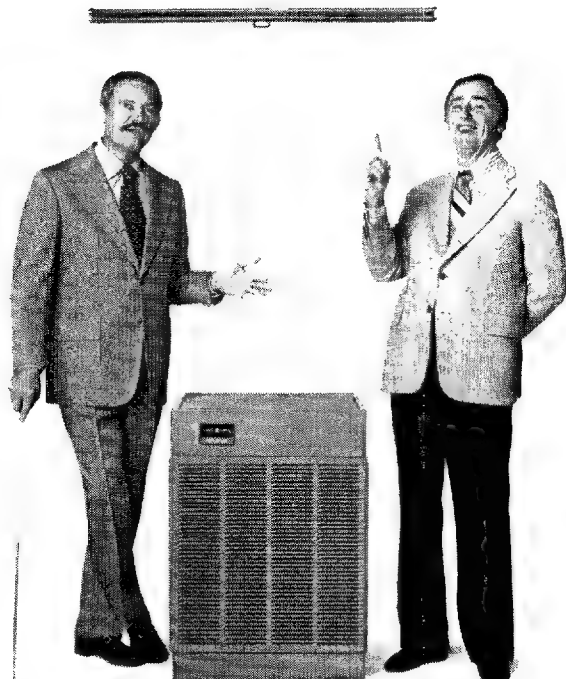
It seems inevitable that the Department will continue to grow. Next year, President Carter plans to present his recommendation for a new national health-insurance program, which could have a major impact on HEW's future expansion.

Democrats also are talking about dusting off some of the old Great Society programs—such as Head Start and the Job Corps—which have been dormant, more or less, during eight years of Republican rule. Califano has proposed doing more in the area of child health. There has been discussion, too, about moving the food-stamp program over from the Department of Agriculture.

Meanwhile, debate continues on whether the Federal Government should take over from the States the direct financing and administration of welfare.

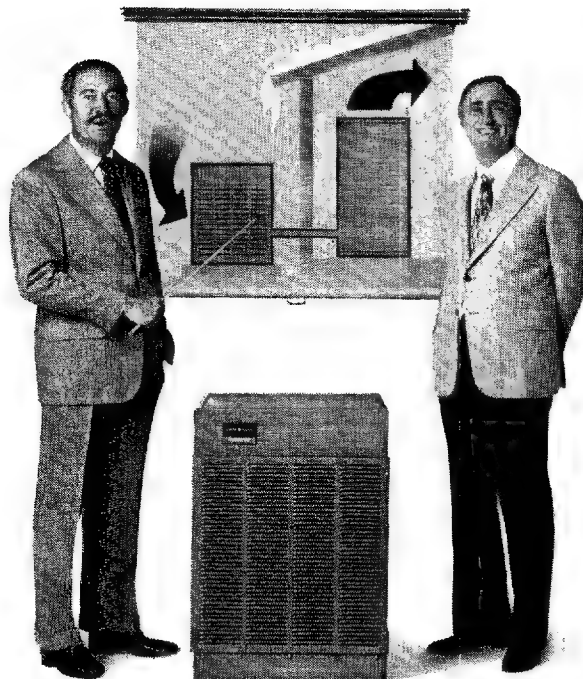
By and large, however, the new Secretary feels the immediate task is to prove that HEW can manage efficiently and fairly the programs it already has. He adds: "I want to make HEW a symbol of the manageability, not the unmanageability, of Government."

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# Tough Road Ahead for Carter's Welfare Reform

**M**ASSIVE PROBLEMS lie ahead for President Carter as he undertakes to untangle the nation's welfare mess.

Plans to scrap the current hodgepodge of programs were outlined by the Administration on May 2—and came under immediate fire from Congress.

At the heart of its plan are two basic principles: a job for "every family with children and a member able to work," and "a decent income . . . for those who cannot work."

The President said he could accomplish these and other welfare reforms with "no higher initial cost than the present system," a claim that was immediately challenged by some experts.

The present program, financed jointly by the federal, State and local governments, involves 37.8 billion dollars, of which the federal share is 23 billion.

Details of the Carter welfare proposal are yet to be worked out, but officials said it would contain these elements:

- A single program of cash payments would replace some individual programs now available to the poor.

- Recipients would get federal payment varying in amounts only to take care of differences in living costs from one area to another.

- An extensive program would be established to create public and private jobs for the able-bodied who cannot otherwise find work. With the Government becoming, in effect, the employer of last resort, up to 2 million new federally financed jobs may be needed, officials estimate. Under normal circumstances, such a program would entail at least 10 billion dollars in wages.

- Tax credits paid in cash would be given to working families with exceedingly low incomes. Under the existing setup, it is often more lucrative for the poor in some States to go on welfare than to take a low-paying job. The new program is supposed to make it more financially attractive to work, even for low wages.

**Focus of plan.** The President's plan would place heavy emphasis not only on jobs and simplicity of administration but also on "adequate assistance for those who cannot work, equitable benefits for all needy American families and close co-operation between private groups and officials at all levels."

Carter, who during the 1976 campaign placed welfare reform high on his list of domestic priorities,

promised that legislation spelling out his program would be sent to Congress by the first week of August.

Still to be resolved are these questions: How to separate the employable poor from the rest of the welfare population.

How to break the cycle of welfare that holds some families for generations.

How to consolidate about 40 billion dollars in welfare programs while improving administrative efficiency and guarding against increased fraud and waste.

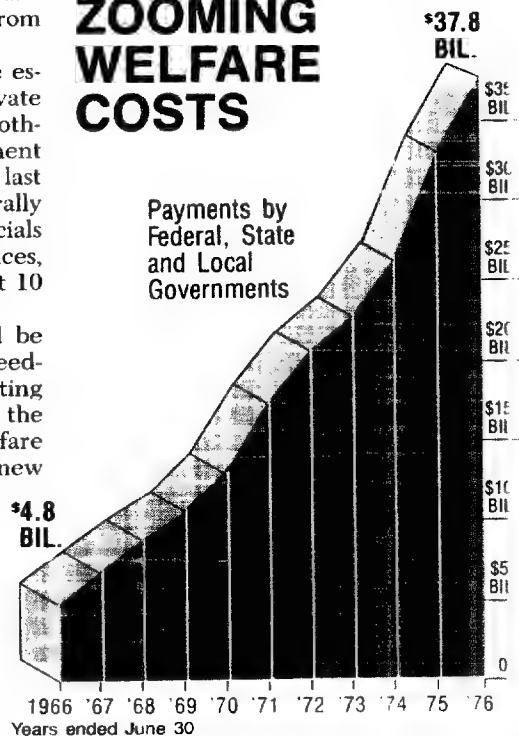
A crucial aspect of the Carter plan about which Congress and others already are demanding to know more is its potential cost.

Senator Daniel P. Moynihan (Dem., New York, chairman of a subcommittee that will consider the proposals) questioned what the President meant when he said the "initial cost" would be no higher than the present system.

Representative Robert Michel (Rep., Illinois, said he did not see how the reforms would result in anything but higher welfare expenses.

Criticizing the Administration for not

## ZOOMING WELFARE COSTS



**COSTS TODAY** are running 8 TIMES what they were a decade ago — with more hikes expected.

Source: U.S. Depts. of Health, Education and Welfare, and Agriculture.

furnishing more details of its plan, Michel added: "This is all so much baloney. There isn't any substance to this."

Califano himself concedes that there are difficulties in determining how the over-all costs will compare with current welfare programs.

"Every single State has a different welfare program," with a "crazy quilt of benefits," he observed. Each must be examined, he said, before a total figure can be derived.

State and local governments hoping for federal take-over of all welfare-financing responsibilities were disappointed with Carter's proposal. The President's statement noted only that he favored such shifts "as rapidly as federal resources permit."

Troubling many who have studied the new proposals is the problem of setting a national standard for cash welfare payments. The Administration wants to wipe out the wide discrepancies in benefits that now exist from one State to another.

HEW officials say that any national welfare standard probably will be modeled more closely to New York's level of \$2,859 per poor individual than to Mississippi's \$530.

Last year, the national average of government spending per poor person was \$1,389, according to a tabulation by the *National Journal*.

Another difficult and expensive undertaking, according to the experts, would be a program to provide jobs for poor people who can work. Administration officials said the cost—estimated at \$5,000 per job annually—could be financed with funds that already are budgeted for public-service employment under the President's economic-stimulus package.

**A sharp shift.** Carter's proposal is similar in many respects to former President Nixon's 1969 recommendation for a guaranteed minimum annual income—the so-called Family Assistance Plan.

A major difference, however, is the new emphasis on creating employment as part of an over-all approach to welfare. After years of debate, Congress ultimately rejected the Nixon reforms, partly, lawmakers said, because of the absence of a jobs provision.

Capitol Hill sources say that it is unlikely that Congress will get around to voting on a welfare-reform package this year.

Even if Congress adopts such legislation in 1978, Carter noted, an additional three years will be required to implement the program and clean up "the welfare mess."

"It is worse than we thought," the President concluded.

opened the way for football players to gain new freedom.

Football formerly had rules that made it difficult for a player to move to another team, even after playing out an option year at the end of his contract. The team getting the player had to compensate the team he was leaving—and in case of dispute, Commissioner Rozelle set the price, which sometimes proved to be prohibitive.

In 1975, a federal court ruled that requirement was illegal.

**Draft struck down.** Last autumn, another court struck down the draft of college players that had been used for years to distribute the new talent.

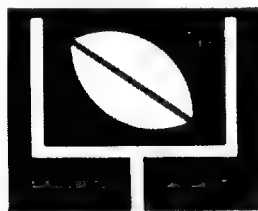
These rulings forced the owners into the March 1 agreement that provides:

- A modified draft that permits a player some options—if he does not sign with the team that first drafts him, he is eligible for the next year's draft, and after two years of refusing terms he becomes a free agent.

- After four years in the league, a player can shift teams without playing out an option year.

- Compensation for a team losing a free agent is fixed by a formula of draft choices based on the player's pay.

For two decades, football was the top success story of professional sports. Teams prospered and multiplied.



## FOOTBALL'S BIG-MONEY MEN

*At least four football players get a quarter of a million dollars or more a year. From published reports, they are:*

**\$750,000**—O. J. Simpson, running back, Buffalo Bills.

**\$300,000**—Larry Csonka, running back, New York Giants.

**\$250,000**—Fran Tarkenton, quarterback, Minnesota Vikings.

**\$250,000**—John Riggins, running back, of the Washington Redskins.

**Note:** Quarterback Joe Namath was reported to have been earning \$450,000 a year before leaving the New York Jets.

For a time, there was costly rivalry for talent between the older National Football League and the upstart American League. That problem was solved in 1966 when the leagues agreed to merge.

Then came another expensive conflict when the World Football League was created in 1974. The average pay of an NFL player jumped from \$36,000 in 1973 to \$49,000 in 1975.

But the WFL lasted only two years. Now, with another expansion, the NFL has 28 teams. Virtually all are said to have made money last year.

A major factor in the financial success of pro football has been its big income from network telecasts, with every team sharing equally in the revenues. When individual radio contracts and preseason telecasts are added in, each team averages 2.4 million dollars a year in broadcasting revenue.

Gate receipts are divided 60 per cent for the home team and 40 per cent for the visitors. This, with the equal split of TV revenue, takes away some of the advantage held by teams with the larger stadiums, and is credited with helping to maintain competitive balance throughout the league.

In spite of its prosperity, football has



## BASKETBALL'S TOP EARNERS

- Julius ("Dr. J") Erving, Philadelphia 76ers—between 3 and 3.5 million dollars over five years.

- George McGinnis, also of Philadelphia—3.2 million in six years.

- Kareem Abdul-Jabbar, Los Angeles Lakers—1 million for two years.

- Bill Walton, Portland Trail Blazers—2.5 to 2.8 million for five years.

- David Thompson, Denver Nuggets—\$400,000 a year for five years plus \$200,000 in deferred compensation.

- Bob Lanier, Detroit Pistons—\$350,000 a year.

**Note:** All figures are based on published reports. Official figures are not made public.

felt itself forced into increasing its revenue to keep up with inflation. Seventeen teams have raised ticket prices in the last two years. And, beginning in 1978, each team will play 16 regular-season games instead of 14.

## BASKETBALL—A COMEBACK

Only a year ago the National Basketball Association faced soaring salaries, ruinous competition from the American Basketball Association—and a court order prohibiting a merger that would end the costly rivalry.

It had reached the point where competitive bidding frequently resulted in million-dollar contracts for youths fresh out of college before they had proven their worth in pro ranks. Several franchises were in financial trouble.

Since then, the NBA has accomplished a turnaround so dramatic that today it is widely regarded as heading into an era of unprecedented prosperity. In swift



## LEADERS IN BASEBALL'S MONEY GAME

*At least 10 baseball players this year will be paid a quarter of a million dollars a year or more, according to a UPI survey.*

**\$400,000**—Mike Schmidt, 3rd base, Philadelphia Phillies; Gary Matthews, outfield, Atlanta Braves; Joe Morgan, 2nd base, Cincinnati Reds.

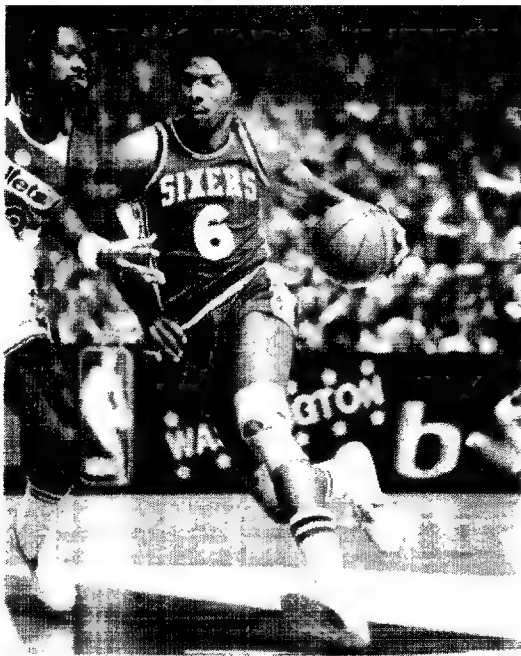
**\$350,000**—Pete Rose, 3rd base, Cincinnati Reds.\*

**\$333,000**—Steve Garvey, 1st base, Los Angeles Dodgers.

**\$330,000**—Willie Montanez, 1st base, Atlanta Braves.

**\$250,000**—Reggie Jackson, outfield, New York Yankees; Thurman Munson, catcher, New York Yankees; Andy Messersmith, pitcher, Atlanta Braves; Bobby Murcer, outfield, Chicago Cubs.

\* Including deferred payments, Rose's two-year contract is said to be worth \$840,000. Some other players are also reported to have lucrative fringe benefits.



Julius Erving—\$3 million for 5 years

## INFLATION IN SPORTS

[continued from preceding page]

succession: The NBA worked out an agreement with the Players' Association that resolved the lawsuit. Then half the ABA teams went out of business and the strongest four franchises were blended into the NBA.

**"We still wonder."** It was a costly agreement, and "we still wonder how a lot of it will work," says Lawrence O'Brien, NBA commissioner. "We haven't had our first college draft under the new agreement. But so far it seems to be working well. This has been a good season at the box office.

I think the off-court conflict had hurt us a great deal. But now that is over. And we no longer have two leagues competing for talent."

Ale Pollin, owner of the Washington Bullets, predicts that one of the first results will be a cutback in the huge bonuses once offered untried rookies.

The average salary for all players climbed from \$109,000 in the 1975-76 season to \$126,000 in the last season. But most observers expect salaries to stabilize somewhat now.

**More freedom.** Basketball, like baseball and football, has been forced to grant more freedom to its players.

Under the old system, before a series of court decisions destroyed it, a player was drafted right out of college and "bound" by the drafting team until sold or traded, unless he earned his freedom by playing out his contract term plus an "option year."

Basketball's new draft and reserve systems are much like those recently adopted by football.

"We accepted the draft as an evil that would be compensated for by the player's later chances for freedom," explains

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Lawrence Fleisher, general counsel of the NBA Players' Association. "In the past, owners had a monopolistic control over players. With help from the ABA and the courts, what has happened is a balancing of authority."

Arnold ("Red") Auerbach, former coach and now general manager of the Boston Celtics, still is concerned about the problem of dealing with a star who has a long-term contract guaranteeing millions of dollars. "How," asks Auerbach, "are you going to motivate a guy who is going to get his money whether he plays well or plays lousy?"

NBA television revenue—and ratings—have increased substantially. The 18 teams of the premerger league are now receiving about \$600,000 a year each. The four new teams will be cut in for their shares of TV revenue later.

**Raids by the wealthy.** A financial problem for some NBA teams is that visiting teams get no part of the gate receipts, and each team keeps all the revenue from its own regional telecasts. This helps teams in big cities with large arenas. As in baseball, wealthy clubs have raided the rosters of less-affluent teams.

Despite such inequities, the NBA this season has had the closest competition in its history and has set a number of attendance records.

Even so, some NBA teams are still struggling financially. And attendance is limited by arenas that are necessarily small. The biggest one seats only 21,564 spectators.

## HOCKEY—A FINANCIAL CRISIS

Ice hockey has the biggest headaches of the major professional team sports.

The National Hockey League is in its fifth year of costly competition with the young World Hockey Association.

NHL salaries now make up more than 50 per cent of the total operating costs for most teams, in contrast to 25 per cent a few years ago. Other costs have also gone up. And attendance, in many cities, is down.

Three NHL teams are in financial danger. Cleveland managed to complete this season only after an infusion of \$3 million dollars in new money, including a \$600,000 loan from the NHL Players' Association. According to Alan Eagleson, executive director of the Players' Association, "Eleven NHL teams will lose a total in excess of 15 million dollars this year. Five teams will make in excess of 1 million dollars each. The other two will just about break even."

The World Hockey Association is in even a worse situation. Two of its teams—Minnesota and Phoenix—already have gone out of business, and two others are described as in danger.

A logical solution to hockey's money problems would appear to be a merger, such as that worked out in basketball.

Eagleson predicts "a 50-50 chance of a merger prior to the start of next season." The NHL contract with its Players' Association prohibits such a merger. And several powerful owners oppose the idea. But Eagleson says that "players have told the owners they would be agreeable to such an accommodation with the WHA if the owners are willing to discuss an increase in player mobility [freedom to change teams] and a guarantee that all clubs will be financed well enough to complete the season."

**Too many teams?** Overexpansion is blamed for much of hockey's troubles. Until 1967 there were only six major-league hockey teams in the United States and Canada. All were prosperous.

Then the NHL began to expand, until it now has 18 teams. The WHA has 10.

The creation of the World Hockey Association in 1972 set off a bidding war for talent. From 1967 to 1972, the average NHL salary had doubled, from \$15,000 to \$30,000. But between 1972 and this season, the average has tripled—to \$90,000.

Bobby Hull, former Chicago Blackhawks star and now a player-coach with Winnipeg, has a 10-year contract for 2.5 million dollars—\$250,000 a year. Bobby Orr of Chicago and Phil Esposito of the New York Rangers get a reported \$200,000 to \$250,000 a year. Bernie Parent and Bobby Clark of the Philadelphia Flyers are said to have lifetime contracts with deferred payments that could total more than 2 million dollars.

Despite the high pay, the WHA's drain on available talent has lowered the caliber of NHL play, and many games now are one-sided. Some clubs that had assured sellouts for decades now have numerous empty seats.

NHL President Clarence Campbell says: "Looking back, there is no doubt that we moved too soon into areas that had no hockey tradition. Ours is a sport that takes some getting used to, and we underestimated the difficulties of educating the public."

**"Growing new fans."** One of hockey's problems is that it has no TV-network contract in the U.S. The National Broadcasting Company gave up on hockey after a three-year trial.

"Before hockey can get another network contract, it must prove it can attract a nationwide audience," says Pollin, who also owns Washington's hockey team. But he predicts that hockey will gradually build up such a following because:

"More and more kids are playing hockey around the U.S. We are growing up a generation of fans."

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U.S. NEWS & WORLD REPORT, May 16, 1977

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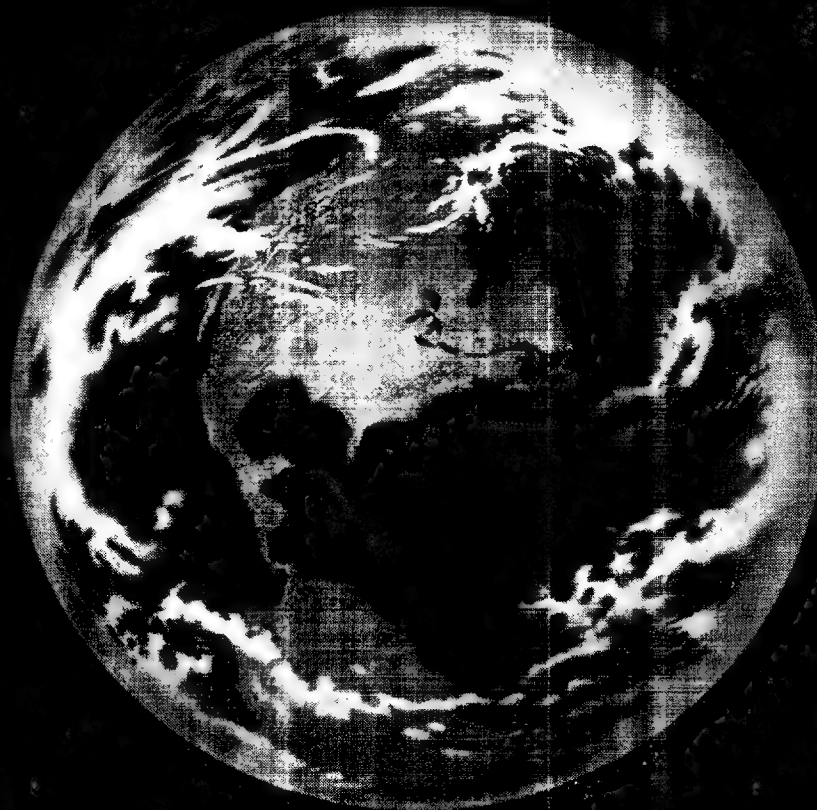
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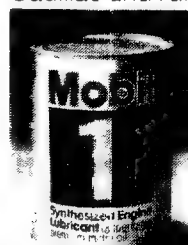
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To prove it we ran Mobil 1 in a police car for 5,000 miles. The used Mobil 1 was then run in a taxi for another 5,000 miles. The used oil from the taxi was then placed in a Cadillac and run for still another 5,000 miles, with oil added as needed.



Incredible as it may seem, after 15,000 miles used Mobil 1 protected the engine as well as brand new regular oil.

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Switzerland's latest financial scandal has Alpine banks on the defensive. Swiss bankers worry about their image abroad. Customer confidence could be jarred. Tighter banking controls may be on the way. How it all began . . .

The Swiss Credit Bank, a blue-ribbon giant in finance, suffered big losses through unauthorized and illegal operations at its Chiasso branch, near the Swiss-Italian border. Insiders say the bank's total loss, first estimated at some 100 million dollars, could hit 300 million. What went wrong?

While the full story is not yet unraveled, experts say the scandal stemmed from mismanagement in the Chiasso unit of "hot money" from Italy. The funds, about 900 million dollars from some 1,000 Italians, normally would have been placed in first-class European credits. Instead, money was channeled through a Liechtenstein-based company into Italian firms with lackluster reputations.

Short-term funds went into risky long-term projects to earn high interest. Further, the activities via Liechtenstein were designed to avoid a 35 per cent Swiss withholding tax on dividend and interest income and other restrictions. But a liquidity crisis hit the branch. Three of its aides have been arrested.

Other Swiss banks quickly announced a standby credit. Directors of the Swiss Credit Bank said it had ample reserves to cover losses. Yet--

Critics recalled that in 1974 the Lugano branch of Britain's Lloyds Bank lost close to 90 million dollars and the Union Bank of Switzerland about 57 million--both losses blamed on unauthorized currency dealings. The upshot:

Political pressure is building to add banking controls, review Swiss bank secrecy and upgrade surveillance of "letter-box companies" in Liechtenstein.

Another summit meeting, this one of the European Free Trade Association, was set for May 13, only days after the Allied leaders' sessions in London.

EFTA heads of government at their Vienna meeting were expecting to hash over trade, other issues, show that smaller European states count, too. EFTA states are Switzerland, Austria, Sweden, Norway, Iceland, Portugal and Finland.

Portugal hopes eventually to follow Britain and Denmark out of EFTA into the Common Market. Most other members seem in no hurry to leave. They focus on duty-free exchanges of industrial goods. EFTA states need not have uniform  
(over)

tariffs against third-country products, nor do they have a common farm policy.

However, the goal of free trade for industrial items within both EFTA and the Common Market will be reached on July 1, 1977, with some exceptions. EFTA nations depend heavily on exports of industrial products, more so than Common Market countries, much more so than America. Protectionist moves worry them.

In Spain, U.S. and other foreign investors meet a hearty welcome. Prime Minister Adolfo Suarez in a recent New York address listed some evidence:

A wide range of auxiliary industries in Spain can supply components for sophisticated operations. Ford Motor, for example, embarked on an 800-million-dollar investment in auto production and found 44 Spanish suppliers of parts.

Spain has "capable and efficient" labor, with underemployed reserves.

The country offers not only its own market but also a gateway to sales in the rest of Europe, Africa and South America. Madrid in time also may join the Common Market. Cultural ties ease entry to Latin America and North Africa.

American companies with Spanish subsidiaries range from Avon and Gillette to Chrysler, Firestone, John Deere and Westinghouse. In the past 15 years, according to Suarez, foreign investment in Spain totaled 5 billion dollars--approximately half in American stakes. But, during the "wait and see" period of recent years, with Spain's political changes and global economic setbacks, U.S. investments have trailed those of the Swiss and the West Germans.

Japan's exports of industrial and utility plants are racing ahead but not fast enough for Tokyo's ambitious traders. Total exports of this sort for the year ended March 31, 1977, are estimated at 7 billion dollars, up 35 per cent in a year but far short of a 10-billion-dollar target. As for the new year--

Projected business has been slashed to 7 or 8 billion dollars, about one half the goal of 15 billion set in 1976. The Japanese blame this showing on stiff price competition and Tokyo's lack of political muscle to help win sales in the Middle East and the developing countries. Indeed--

Japan has been selling more to the Soviet bloc than to the Middle East.

Even so, Japanese companies have nailed key jobs in Algeria, Dubai, Kuwait, Iran, Iraq and Qatar, supplying everything from power plants to desalination facilities. Other major deals are in Brazil and Australia.

Two things stand out about Venezuela's recent borrowing of more than a billion dollars from an international consortium of 111 banks:

It was the second time in months that Caracas had tapped money markets for a billion or more. Not many countries can do that these days. Further--

Venezuela borrows despite hefty income from petroleum. Reason: Caracas is convinced its oil riches will not last forever. The country is spending to industrialize and build a broader base for business. Steel mills, coal mines, farm machinery and other factories will be around after many wells run dry.

# COMPARISON REVEALS 100% VIRGIN TOBACCO IN ONLY ONE CIGARETTE

## NEW L&M FLAVOR LIGHTS WIN TOBACCO ANALYSIS

New L&M Flavor Lights. The only cigarette made with just the tender "filet" of 100% virgin all-leaf tobacco. • No reconstituted tobacco. • No tobacco by-products. • No added stems.



## COMPARE YOUR CIGARETTE:

BRAND	TOBACCO CONTENT IS 100% VIRGIN ALL-LEAF?	CONTAINS ADDED STEMS?	CONTAINS RECONSTITUTED TOBACCO?	"TAR" CONTENT
<b>L&amp;M FLAVOR LIGHTS L&amp;M LONG LIGHTS</b>	<b>YES</b>	<b>NO</b>	<b>NO</b>	<b>8 mg.</b>
MARLBORO	NO	YES	YES	18 mg.
MARLBORO LIGHTS	NO	YES	YES	13 mg.
WINSTON	NO	NO	YES	19 mg.
WINSTON LIGHTS	NO	NO	YES	13 mg.
KENT	NO	NO	YES	17 mg.
KENT GOLDEN LIGHTS	NO	NO	YES	9 mg.
VICEROY	NO	YES	YES	16 mg.
VICEROY EXTRA MILDS	NO	YES	YES	14 mg.
VANTAGE	NO	NO	YES	10 mg.
MERIT	NO	YES	YES	8 mg.
DORAL	NO	NO	YES	13 mg.
BENSON & HEDGES	NO	YES	YES	17 mg.

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# It's ARBOR DAY

## 1977



When's Arbor Day? In Hawaii, it's in November. In Alabama, it's the last full week in February. In Nebraska, where the conservationist's holiday began, Arbor Day is officially celebrated April 22. When you think about it, Arbor Day is anytime you plant a tree ... a time when you do something to help your environment. If you would like the date when Arbor Day is celebrated in your state, write the Arbor Day Foundation. You'll also receive the details of the TREE CITY USA community improvement program, an action program designed to make your town a better place in which to live. Write:



**The National Arbor Day Foundation**  
Arbor Lodge 100  
Nebraska City, Nebraska 68410



### DOES YOUR TOWN MEET THE TREE CITY USA STANDARDS?

Legally constituted local tree board  
Any tree management ordinance  
Active community forestry program  
Annual Arbor Day observance

If it meets the standards, your town qualifies as a TREE CITY USA. If it doesn't qualify, we'll show you how to plan. Contact your participating state forester or write the Arbor Day Foundation for details.



# ABOUT SMOKE DETECTORS FOR THE HOME

*From Top Authorities Come Answers to Questions on Topics in the News*

Smoke detectors, once found only in a few high-priced homes, suddenly are being bought by home-owners in all income brackets. Eight million of them were sold last year alone and the 1977 prospect is for sales of 12 million. What's behind the big boom?

Sales began skyrocketing about three years ago, when the National Bureau of Standards reported that new, low-cost versions work dependably to save lives in case of home fires. The detectors can spot smoke or fumes even before flames have broken out, and thus can prevent deaths from asphyxiation.

**Are there situations where heat detectors would be more appropriate?**

Only rarely. Experts at the NBS say that heat detectors may provide better fire warning in attached garages, cut-off basement workshops and attics. They are not as effective for most home uses, and should not be substituted for smoke detectors as the basic alarm system.

**Are there laws now that require the installation of smoke detectors?**

Yes. Many cities and counties—and some 33 States—are requiring the use of smoke detectors now, often in newly constructed homes, mobile homes, or remodeled houses. Sometimes they are required in existing homes after a specified date.

**How effective are smoke detectors, and how much do they cost?**

Government tests indicate that laboratory-approved models are reliable, will wake up most sleepers if installed in the recommended area of a home, and should result in about 50 per cent fewer deaths from fire where they are used. Most models sell for \$30 to \$70 at discount, hardware, department or drug stores. If you get one that needs to be installed by an electrician, that could cost another \$25 to \$50.

**Are there different kinds of smoke detectors?**

There are about 60 different models on the market now, but only two basic types: photoelectric and ionization chamber. The photoelectric type contains a light bulb and a photocell, so that any smoke entering the device will diffuse the light striking the

photocell and thus set off the alarm—a loud buzzing. The ionization type contains a small radiation source that produces electrically charged particles called ions. If smoke molecules enter the chamber, they attach themselves to the ions, reducing the flow of current and thereby triggering an alarm.

**Which is considered better?**

Industry sources say the photoelectric variety may detect visible smoke from a smoldering fire earlier, while the ionization variety detects invisible particles of combustion earlier. The National Fire Prevention and Control Administration says only that "both types of detectors are equally effective."

**How many are needed?**

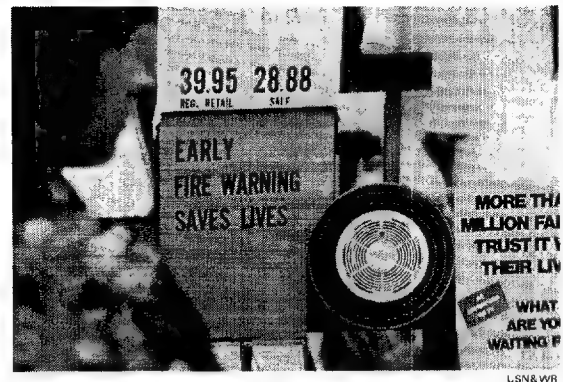
From one to about four, usually. Commerce Department testers say there should be "at least one" smoke detector in every house, but that "additional detectors will significantly increase your chances of survival." In the case of an air-conditioned house with more than one floor, officials recommend a separate detector for each floor. And where there is a basement, one at the head of the stairs is "advisable." If you usually sleep with your doors closed, you might consider installing an additional detector inside the bedroom.

**Where is the best place to put them?**

On the ceiling or high on an inside wall just below the ceiling, to catch any rising smoke. Detectors should be installed close enough to the bedrooms so that the alarm can be heard if the doors are closed. But don't install one within 3 feet of an air-supply register that might blow the smoke away from the detector.

**Should one get a battery-operated or plug-in detector?**

Each type has advantages. NBS testers say this: Battery-operated detectors are the easiest to install. They require no outlets or connections to household wiring. However, the batteries must be replaced once a year.



Smoke-detector sales are booming. New, low-cost devices work dependably to save lives in home fires.

The cost of replacement batteries is between \$2 and \$10. All battery-operated smoke detectors approved by Underwriters Laboratories, Inc., are required to sound a trouble signal when the battery needs to be replaced. This "chirp" signal usually lasts seven days. Smoke detectors that operate on household current can be powered in two ways. One type can simply be plugged into an existing wall outlet. This may require a long electrical cord. Or the detector may be permanently wired into a home's electrical system, a method recommended for all new homes.

**What if the alarm goes off?**

A smoke detector in working condition will usually give at least a 3-minute warning to evacuate the house. Families are advised to plan ahead, so that all members know how to get out quickly, preferably by bedroom windows. Experts say: Get out of the house at once. Do not try to fight the fire.

**What if you can't hear the alarm?**

If you have a large house and are installing more than one detector, consider getting units that can be interconnected. That way, when one unit detects smoke, all detectors will sound off.

**Where can I get more detailed information about smoke detectors?**

From the National Bureau of Standards. Write for its free pamphlet entitled "Smoke Detectors . . . What They Are and How They Work." The address is: Consumer Information Center, Dept. 645E, Pueblo, Colo. 81009.

## Census Finding

# NEW LOOK AT AMERICA

**T**HE POPULATION PROFILE of America in the first year of the country's third century is undergoing far-reaching changes.

The nation's growth is diminishing. Marriages are down and divorces are up. The birth rate is declining sharply, as young couples put off having children. More and more unmarried people are living with members of the opposite sex.

Blacks are gaining ground on whites in the flight from cities to the suburbs. The number of people in the work force is increasing rapidly. But median family incomes, after adjustments for price rises, have dipped.

These are some of the findings of the Bureau of the Census, reported in its "Population Profile of the U.S.: 1976," made public on May 3. Charts on these pages put the changes in perspective.

The estimated total population of the U.S. on Jan. 1, 1977, was 216 million—an increase of seven tenths of 1 per cent over the previous year. By comparison, a population growth of 1.1 per cent was recorded in 1970. And in the '60s, population grew at an average rate of 1.3 per cent a year.

Childlessness is on the upturn. Of women in their early 20s in 1976 who have been married at least once, 42 per cent have borne no children, compared with 24 per cent in 1960.

Declining birth rates have caused a 12 per cent drop in elementary-school enrollment in the last six years.

A "singles society." Postponing marriage is growing more popular. Half as big a proportion of women in their early 20s were still single in 1976 as in 1960—43 per cent vs. 28 per cent. And the ratio of divorced women to married women living with their husbands has doubled, from 42 per 1,000 in 1960 to 92 per 1,000 in 1976.

If recent trends continue, the Bureau estimates, 1 in every 3 married persons between the ages of 25 and 35 may end a first marriage in divorce. And about 4 in every 10 second marriages will fail.

Metropolitan areas are continuing to grow less rapidly than nonmetropolitan areas. The black population in the suburbs has been increasing faster than that of whites. Average annual moves into those areas since 1970 total 5.2 per cent for blacks and 1.4 per cent for whites.

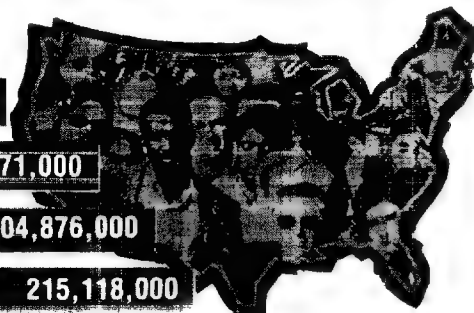
Close to 95 million people were in the civilian labor force in 1976, an increase of 25 million since 1960.

Despite the larger number of workers, the median family income of \$13,720 in 1975 was about \$360 below the corresponding 1974 figure in buying power.

## GROWING AT A SLOWER PACE

### Total U.S. Population

1950	152,211,000
1960	180,671,000
1970	204,876,000
1976	215,118,000
1977	215,998,000



**GROWTH** in 1976 came to 0.7 per cent, down from 0.8 per cent in 1975 and 1.1 per cent in 1970. Note: Population as of July 1, except Jan. 1, 1977.

## WOMEN AND MEN

	Females	Males
1960	91,352,000, or 50.6%	89,320,000, or 49.4%
1970	104,609,000, or 51.1%	100,269,000, or 48.9%
1976	110,199,000, or 51.2%	104,919,000, or 48.8%

## AGE

Once turning younger, the nation is now aging again.

	Median Age
1960	29.4 years
1970	27.9 years
1976	29.0 years

## RACE

	Whites	Blacks	Others
1960	88.6%	10.5%	0.9%
1970	87.6%	11.1%	1.3%
1976	86.7%	11.5%	1.8%

Cutting across racial lines, Americans of Hispanic origin now comprise 5.2% of the population, or nearly 11.2 million. Of these, 6.6 million are of Mexican background, 1.8 million Puerto Rican, 700,000 Cuban, 800,000 other Central and South American and 1.3 million from other nations.

## WHERE PEOPLE LIVE

Movement out of the cities and into the suburbs is still strong. Here is where people reside:

	Central Cities	Suburbs	Elsewhere
1960	33.5%	33.2%	33.3%
1970	31.5%	37.1%	31.4%
1976	28.9%	38.9%	32.2%

Between early 1975 and early 1976, some 4.6 million persons moved out of central cities and only 2.7 million others moved in. But in the suburbs, 4.8 million arrived and only 3.2 million left.



# TODAY-EVIDENCE OF MAJOR CHANGE

## MARRIAGE, DIVORCE, SINGLES

### Married Persons

(living with spouses)

Percentage of persons 14 and older:

	Men	Women
1960	65.7%	62.2%
1970	64.1%	58.4%
1976	61.7%	56.3%

### Marriages

Per 1,000 in population:

1960	8.5
1970	10.6
1976	9.9

### Divorces

Per 1,000 in population:

1960	2.2
1970	3.5
1976	5.0

### Unmarrieds

Young people 20 to 24 years old  
who have never been married:

	Men	Women
1960	1,568,000	2,808,000
1970	3,031,000	4,308,000
1976	4,099,000	5,711,000

### Singles Living Together

Unmarrieds living with  
a person of the opposite sex:

1970	654,000
1976	1,320,000

## BIRTHS

Three indicators of how  
population's growth is slowing:

### Fewer Live Births

1960	4,307,000
1970	3,739,000
1976	3,165,000

### Smaller Families

Fertility rate — the number of children  
1,000 women would have over their  
lifetimes — hit a record low last year.

1960	3,654
1970	2,480
1976	1,760

### Childless Young Women

Percentage of women 20 to 24  
years old with no children:

1960	24%
1970	36%
1976	42%

## INCOME

The average family is making more  
money but not necessarily enjoying it a  
lot more.

Median family income, in 1975  
dollars to offset inflation:

1960	\$10,214
1970	\$13,676
1974	\$14,082
1975 (latest)	\$13,719

Full-time, year-round workers'  
income is going up, in current dollars.

	Men	Women
1960	\$ 5,435	\$3,296
1970	\$ 9,184	\$5,440
1975	\$13,144	\$7,719

## EDUCATION

Individuals and percentage of  
population age 25 years or older:

	Completed High School	Completed 4 or More Years of College
1960	40,869,000, or 41.1%	7,657,000, or 7.7%
1970	60,361,000, or 55.2%	12,063,000, or 11.0%
1976	76,130,000, or 64.1%	17,496,000, or 14.7%

## WORKERS

More and more people are at work or seeking it.

	Civilian Labor Force	Employed	Share Unemployed
1960	69,628,000	65,778,000	5.5%
1970	82,715,000	78,627,000	4.9%
1976	94,773,000	87,486,000	7.7%

## VOTERS

A smaller share of America's voting-age population went to the polls  
last November than in earlier presidential elections.

	Voting-Age Population	Persons Voting	Percentage
1964	110,604,000	76,671,000	69.3%
1968	116,535,000	78,964,000	67.8%
1972	136,203,000	85,766,000	63.0%
1976	146,548,000	86,698,000	59.2%





Approved For Release 2001/09/05 : CIA-RDP80B01554R000700060001-0

# GET RICH SLOWLY

with the help of U.S. News & World Report's  
**MONEY MANAGEMENT LIBRARY. Start by reading**  
**"What Everyone Needs to Know About Law" free for 10 days**

The world is filled with get-rich-quick schemes. Most of them, alas, don't work—and cause unwary investors to lose millions of dollars every year.

But there are many excellent and completely sound opportunities to get rich slowly that often are overlooked by the average person.

For instance, did you know that if you started investing just a little more than \$80 every month at the age of 30, and got a 15% return compounded annually, by the time you were 65 it would add up to \$1,013,346? Over a million dollars from about \$80 a month!

Of course, this does not take into account the income tax you would pay on the return from your investment. But sound tax planning can reduce this factor to a minimum.

And if you are older than 30, it is true that you do not have as long a period of time to pyramid your savings, but you probably are earning more than you did at 30 and can afford to save and invest more than \$80 a month.

\$80 a month, admittedly, is not "small change." But with shrewd money management, many families can save that amount. And getting a return of 15% on an investment, although very good, is not as impossible as it may sound.

According to statistics, in one recent 20 year period, the combined annual return from dividends and capital appreciation on all common stocks averaged 14.3%. That's a figure that's all the more meaningful right now, when stocks are at a level where some experts think they may be bargains.

Similar returns may be found in well-chosen real estate investments or in a carefully managed family business.

Then why don't most of us end up with at least a million dollars by the time we're 65?

Sometimes it is due to unavoidable circumstances—unemployment, family illnesses, and so forth. But surely an important factor is simply a lack of knowledgeable planning and sound money management.

It is with this common problem in mind that the publishers of *U.S. News & World Report* have now developed the MONEY MANAGEMENT LIBRARY.

This series has been designed to provide you with the professional guidance necessary to manage your money: to help you do the best possible job of saving it—stretching it—investing it—minimizing the tax on it—and passing it on to your heirs.

To introduce you to this eye-opening series of books, we would like to send you the first book in the series to read and use free for 10 days. It's on a subject which affects virtually every financial transaction you engage in, and which can dramatically influence your financial well-being for better or worse: *the law*.

Called "What Everyone Needs to Know About Law," this book discusses—in concise, easy-to-understand language—the various kinds of law that effect your life. Tort law, which dictates the payment of damages for personal injury. The law of contracts, which governs everything from using the telephone to buying a home and operating a business. Estate law and banking law. Among the things you'll learn:

- An eight-point checklist to help protect yourself when a personal injury incident occurs.

- How to use a merchant's Retail Installment Contract to "shop around" for a better buy elsewhere.

- Five rules to help you protect yourself against deceptive sales practices.

- Oral agreements: when are they valid contracts and when are they not?

- How just a few sentences in your will can save your heirs hundreds or even thousands of dollars.

- If you sell real estate, you can save yourself thousands of dollars by having your broker sign an "exclusive agency" agreement rather than an "exclusive right to sell."

- How to spot costly problem areas in contracts before you sign them.

- The one important legal document you should not keep in your safe deposit box.

- Federal income tax audits: how to determine beforehand if your return is likely to be "flagged."

- How to go about administering an estate for which you have been named executor or executrix.

- A simple step that saves your life insurance proceeds from estate taxes.

- The value of saving your "closing statement" when you buy a home.

- Are you really protected if you hold onto your income tax returns for the customary three-year "statute of limitations" period?

- What are some of the legal actions you can manage without the services and expense of a lawyer?

Other books in the series will then explain in greater detail how to build and pass along your estate.

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"How To Buy Real Estate"

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Money And Avoid Trouble"

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# HOW GRIFFIN BELL SEES HIS ROLE AS ATTORNEY GENERAL

INTERVIEW WITH THE HEAD OF THE DEPARTMENT OF JUSTICE

**What should be done about the FBI's problems, bugging, court reform, grand-jury leaks, civil rights, the ERA? The nation's No. 1 lawyer came to the magazine's conference room to answer these and other key questions.**

**Q** Mr. Attorney General, what do you regard as the toughest tasks facing you as head of the Justice Department?

**A** To give national leadership in the whole area of law enforcement.

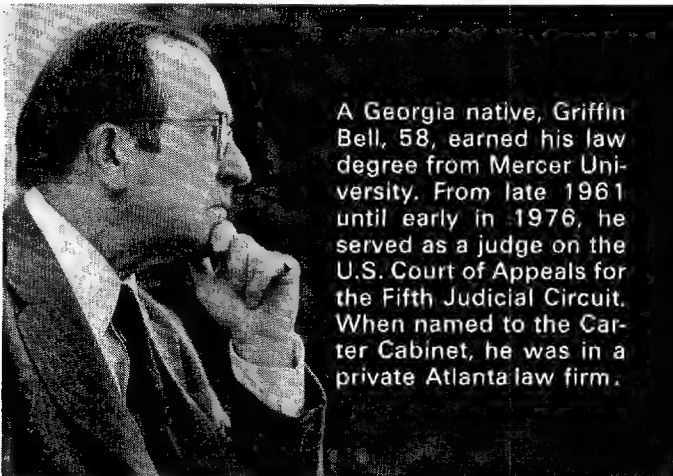
We have a dual court system in our country, and although probably 95 per cent of all cases are prosecuted in State courts, I believe the federal establishment has been lacking in that the Attorney General has not been the national leader in court reform and in encouraging improvements in law enforcement—from the investigative stages on through trial and the prison system. I'm working with Governors and State attorneys general trying to give national leadership in seeking such improvements.

I am also working to reorganize the Justice Department. My interest is in getting the Justice Department within the frame of what I perceive its mission to be—which is to detect and prosecute crime, to defend the Government in civil cases and to oversee some intelligence areas. I would like to see the Justice Department brought back to what it was in the beginning, before they started adding all these agencies.

**Q** The FBI has been under fire in recent years for allegedly overstepping its legal authority. Do you favor the idea of writing a charter for the FBI that spells out precisely what its agents can and cannot do?

**A** I'm very much in favor of a charter. I don't think it's fair for the FBI not to know definitely—chapter and verse—what it is supposed or not supposed to do. It's no wonder that over the years the FBI is said to have done some things that perhaps were not authorized by law but may have been authorized by custom or practice or may have been ordered by some official.

Right now, the FBI's authority comes from my authority.



A Georgia native, Griffin Bell, 58, earned his law degree from Mercer University. From late 1961 until early in 1976, he served as a judge on the U.S. Court of Appeals for the Fifth Judicial Circuit. When named to the Carter Cabinet, he was in a private Atlanta law firm.

I'm the person who has to sign off on the things it does, and I don't want to be in a position where I may spend the rest of my life being sued by people who claim that I've authorized something illegal. I do not intend to have any FBI agent get in that position either. So they're entitled to a charter, and I'm entitled to a charter.

**Q** One FBI agent in New York already has been indicted on charges of illegal acts, and there are rumors that other indictments may follow. What do you say to complaints that FBI agents are being prosecuted for acts that they thought were in the line of duty?

**A** The agents were told in 1966 by [former FBI Director] J. Edgar Hoover not to do certain things. That was a form of charter. If anybody did things Hoover told them not to do, it seems to me the burden would be on that agent to explain how that happened.

**Q** Do you expect further indictments?

**A** There has been a report made to me which would involve more than one person.

Whatever further indictments may be made will rest with me—whatever I decide to do about it. Indicting an FBI agent is a very hard thing to do, but I have to go by the law and my conscience.

**Q** How has the morale of FBI agents been affected by this indictment and the possibility of more indictments?

**A** The morale in the FBI is low. I met recently with 10 agents from all over the country and four from New York. They are very upset. They feel that the whole FBI has been indicted. They're worried about it and so am I.

I have asked the FBI agents to help me by bringing me the truth about what has happened—whether there were some excesses that went beyond Hoover's orders. That's in their interest. If they do that, it would help design a system so it wouldn't happen again.

**Q** What happens if an FBI agent is tried and acquitted? Does he still have to pay his own legal expenses?

**A** The Government can't pay them. I realize that those legal costs could strip an agent of his life savings. That's a very sad situation. Personally, I don't see where it would be out of line to reimburse agents for such legal expenses if they're acquitted. But there's no specific provision in the law to authorize that in a criminal case—and I don't get any feeling from Congress there ever will be.

**Q** How long is Clarence Kelley going to remain as Director of the FBI?

**A** Mr. Kelley has written me a letter saying he'd like to leave on next January 1 and asking that we set up a system to pick his successor in an orderly way. We're doing that. There are many names on the list of possible successors.

**Q** Should there be any changes in the priorities given the types of cases the FBI handles? For instance, should there be more agents assigned to white-collar crimes or fewer to national-security cases?

**A** Director Kelley has already redirected the FBI in regard to the kind of crimes it works on. For example, the FBI is increasing its work on medicaid and medicare fraud. We may want to use the FBI a little more on antitrust investigations. The old days of just building up impressive statistics based on auto-theft cases are gone.

**Q** Since you became Attorney General, how many Ameri-



*Griffin Bell as he was interviewed by the editors of the magazine.*

## HOW ATTORNEY GENERAL SEES HIS ROLE

*(Interview continued from preceding page)*

can have been subjects of electronic surveillance—so-called bugging—in investigations involving national security?

**A** Americans? Zero—none.

**Q** Neither here nor overseas?

**A** I couldn't answer about overseas. But if the surveillance had to clear through my office, there hasn't been one.

**Q** Does this reflect a decision that it should be stopped or that you just haven't seen a need to do it?

**A** The need has not appeared, but I personally would not authorize such surveillance when an American citizen was a direct target.

**Q** What about wiretapping of telephones? Has that been done against American citizens?

**A** Not in national-security cases. Of course, that doesn't apply to criminal cases—investigations of organized crime, for example. That's a separate thing. We have to get a court order for such wiretaps. I don't think I want to say anything more about that.

We've got guidelines on wiretaps, and I want to give former Attorney General [Edward H.] Levi credit for that, but we are going to Congress with a bill to require court orders for use of electronic surveillance in investigations of foreign-intelligence activities within the United States.

**Q** Why do you think such a bill is needed?

**A** It's needed because of the seeming distrust of the Government. I think it will do a good deal to assure American citizens that what's being done is lawful and proper.

**Q** Would wiretap requests be made public?

**A** No. They would be made *in camera*—before the judge only—and would not be revealed at all.

**Q** Is there a danger of such information being leaked?

**A** I suppose that's possible, but it's unlikely. I have confidence in the courts.

**Q** Speaking of leaks, what success have you had in stopping the recent leaks about grand-jury investigations of the South Korean intelligence agency?

**A** I haven't had much success. But it's not as bad as it was. I've tried to make the point that I'm not interfering with the press. If the press can get somebody to tell them something, it's their freedom to print it.

But I am also trying to make the point that the press should be careful that it gets its leaks from somebody who really knows the whole situation, and that a person who is not really a target of investigation is not harmed.

**Q** Do you favor some sort of specific legal sanction against people who leak information from a grand-jury hearing?

**A** I might, but I'm not really that upset about it. I don't

think everything ought to be against the law. I think maybe we have too many laws already.

What I'd like to see is people operating on the basis of character, integrity and professionalism. If we have the right sort of people working at the Justice Department, we won't have leaks that deny due process of law to people.

Now, I'm not talking here about leaks of foreign intelligence. That's a different matter. It's a subject that is still under debate.

**Q** What areas of civil-rights enforcement do you expect to emphasize as Attorney General?

**A** I don't intend to emphasize any one thing. I'm resisting any temptation to be an emphasize. You know, you can get through Washington in good style if you just emphasize one or two things. But then you neglect other things.

I think our civil-rights laws are adequate, and I think the Civil Rights Division in the Justice Department, under its new leadership, is adequate to the task.

There will be some effort in the Administration's reorganization of the Government to concentrate civil-rights enforcement. The Equal Employment Opportunity Commission has to be improved because of the big backlog of cases it has. I personally think it wouldn't be bad to put EEOC with the National Labor Relations Board.

**Q** One of the big issues in civil rights now involves so-called reverse discrimination—policies that favor blacks and other minorities and women while allegedly discriminating against whites and males. What is your position on that issue?

**A** I've never had any problems with reverse discrimination. I've always said that I was in favor of goals and against quotas. There is a difference: Goals end; quotas don't.

Setting goals seeks to overcome past discrimination by taking temporary measures. Quotas would stratify society on the basis of race, creed, color, sex or ethnic origin forever. That's the difference.

**Q** Is the Justice Department planning to initiate school-desegregation suits in some cities?

**A** I would imagine there may be some.

**Q** Do you support the equal-rights amendment to the U.S. Constitution?

**A** Yes, there's a need for it. As the law now stands, women do not have the full benefit of the Fourteenth Amendment because sex has not been declared a "suspect category" as race has been, and therefore it is harder to prove a case of sexual discrimination than it is to prove racial discrimination.

**Q** If the amendment fails to be adopted by enough States, do you feel there is anything else that should be done to protect women's rights?

**A** Oh, I imagine the courts will take care of that problem eventually. There are evolving standards of sensitivity on this subject. Doubtless, the courts will eventually make sex a suspect classification like race.

**Q** What is your position on prosecuting marijuana users?

**A** I'm not going to devote any of the resources of the Federal Government under my control to prosecuting people for possessing small amounts of marijuana. We're going after the traffickers—the large people.

**Q** You talked about court reform as one of your important tasks. What are you doing about that?

**A** I have a new office for improvements in the administration of justice. I was able to get Prof. Daniel Meador from the University of Virginia to come here for two years to handle

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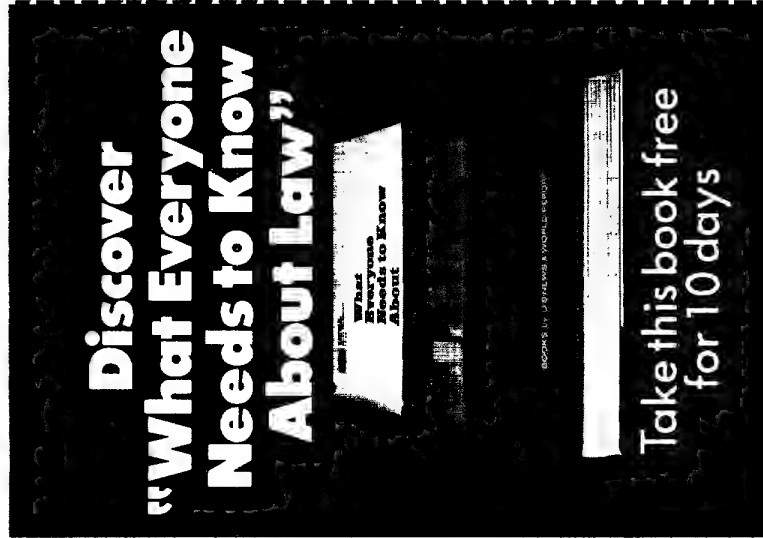
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## HOW ATTORNEY GENERAL SEES HIS ROLE

*(Interview continued from preceding news page)*

that office. He has drawn up a two-year program for improving courts and the administration of justice.

**Q What immediate actions are proposed?**

**A** Two bills have been drawn up so far.

One would expand the jurisdiction of federal magistrates so they could handle a number of the less-complicated civil and criminal matters that now help clog the calendars of federal courts. I believe that perhaps 33,000 cases could be shifted to the magistrates.

The other bill would be to eliminate part of the so-called diversity jurisdiction given federal courts. Congress, in the early days, gave federal courts jurisdiction over cases involving residents of different States because it was thought State courts would not be fair forums for cases brought by out-of-State residents. As the years went by, diversity jurisdiction was expanded to include in-State residents. So a resident of Georgia, we'll say, has an option. He can use the Georgia courts or the federal courts in a lawsuit with some person or corporation from another State.

We don't propose to eliminate diversity jurisdiction of federal courts altogether—simply that part of it which allows a citizen to go into either federal court or a court of his or her own State. This would eliminate a large number of cases now tried in federal courts, and it seems fair to me. A citizen ought to be able to trust the courts of his or her own State.

## AHEAD: NEIGHBORHOOD JUSTICE CENTERS—

**Q** These proposals might help federal courts. But 95 per cent of all cases are tried in State courts—and they are crowded, like federal courts. How do you propose to help State courts?

**A** We can give State courts money through the Law Enforcement Assistance Administration. We can also develop systems for handling cases which will help State courts.

For example, Professor Meador is working on a plan to establish what are called neighborhood justice centers. They would be run by State courts, but they would have no judges or lawyers. They could use paralegals—people trained in legal procedures but not licensed lawyers. They could take a complaint or a problem presented by a citizen and decide what to do with it. The case might be handled right there by a mediator or a fact finder or maybe even an arbitrator. It might be something which could be resolved with a simple telephone call, or it might be sent on to the courthouse for a judge to handle.

If we set up three such neighborhood centers on an experimental basis for maybe two years, the idea would spread if it proves worthwhile. This would cut down case loads in State courts. It also could give the citizens of America a much better method of dispute resolution.

**Q Who would finance these neighborhood centers—the Federal Government?**

**A** To start off with, we would use federal funds, but then States could take them over. I do not favor this constant outpouring of federal money to the States. The States in this country are in good shape. Most of them are in better financial shape than the Federal Government. A lot of States could increase their own taxes to pay for such things as courts, and they will do it. This will also insure the independence of the State courts.

**Q What changes do you plan for reorganization of the Justice Department?**

**A** I have already made the big change: I'm using two Deputy Attorneys General—actually a deputy and an acting deputy—instead of just one deputy to manage the Department.

I'm also having every head of a division or agency in the Department get up a two-year program for what they see as their mission, with accompanying goals and with target dates set for when they think they can accomplish their goals, including needed improvements.

Some changes we have in mind would really be part of the over-all Government reorganization that is being studied by the Carter Administration. Some agencies might be shifted out of the Justice Department; others might be moved in. In fact, the Department may end up with fewer employees than it now has—54,000.

**Q Do you anticipate changes in the way antitrust laws are enforced by the Justice Department?**

**A** I'm trying to figure out some way to bring more large cases in the monopoly area.

The Antitrust Division has been doing a good job in the price-fixing area. But it has limited resources, and it can try a price-fixing case with fewer people and at less expense, so naturally it has tended to bring more such cases.

I want to get into the shared-monopoly area. A shared monopoly is one that involves more than one person or one company—an oligopoly, you might say. For example, you might have four companies controlling a scarce commodity, and it might be that they always charge the same price for this scarce commodity, but one company sets the price and the others follow. They are exempt from price fixing under what we call conscious parallelism. Well, I think in a situation like that you either have price fixing or you have a monopoly, and I would like to try such a case.

There's another area that I'm studying: whether some monopoly cases are too large for courts to handle under present procedures—like the case against IBM. If there are cases that are too large for the courts, then we've got to look for another place to take them.

**Q Where else can you take a monopoly case?**

**A** You could take it to Congress, or you could have guidelines set by the Congress and then special courts to handle such cases. I don't think we'll ever come to the point of Congress doing it. But we must have a system of law that works, and if we admit defeat in the courts, then we have to go somewhere else.

**Q Do you plan to expand the Antitrust Division?**

**A** There are two things I'm going to do:

One is to ask State attorneys general to start handling some local price-fixing cases instead of us handling them. That will save us work, and Congress has indicated it will appropriate money for States to bring such cases. Secondly, I'm going to bring in 25 Assistant U.S. Attorneys and train them in how to try antitrust cases. Between these two things, we will substantially increase our capacity without too much increase in costs.

In addition to improving the trial capacity of the Justice Department, I want also to take steps that will keep large antitrust cases from lasting as long as they do now. This seems to be attributable to the courts and the rules of practice rather than the Antitrust Division. If judges are to have the time for handling complex cases, improvements will have to be made in the court system.

## "AUTHORITY TO DO MORE THAN I NEED"—

**Q You've been in Washington about four months now. Do you find you have sufficient access to the President and sufficient authority to do what you want to do?**

**A** I find that I have both sufficient access to the President and sufficient authority. In fact, I have authority to do more than I need to do. I learned as a judge that one of the best uses of authority is not to use it. This approach will help avoid an abuse of power.

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A last word about Captain Kidd.

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# BAD NEWS AT THE SUPERMARKET

**I**F YOU'VE HAD the feeling lately that food prices are starting to climb rapidly, you are right.

After a relatively small increase the previous month, the price rise from April to May for a market basket of 17 food items equaled the biggest one-month jump in a year, according to a survey by *U.S. News & World Report*. From all indications, retail-food prices will keep rising all year long.

The dollars-and-cents figures on this page show actual prices in supermarkets surveyed on May 2 in eight major cities, compared with the prices charged a month earlier and in January in the same stores.

A sharp boost in coffee prices accounts for much of this month's increase. The total for the 17 items was up in the May survey by 2.4 per cent, to \$17.08. With a

2-pound can of a national brand of coffee included, the total cost rose by 3.9 per cent in one month. The items priced include a representative assortment of fresh and cured meats, chicken, eggs, dairy products, bread, canned and fresh fruits and vegetables.

Shoppers were paying more in May in all of the eight cities surveyed. The biggest rise was noted in New York, where the total for the 17 items was up 97 cents, or 5.2 per cent. San Francisco had the smallest increase—5 cents, or three tenths of 1 per cent. The major reason for the increase in each city was a general rise in meat prices. In one month, T-bone steak had risen by an average 16 cents a pound, round steak 13 cents and bacon 8 cents. Also up were ground beef, pork chops and frying chicken. Coffee rose again, up 50 cents to an average of \$6.85 for a 2-pound can.

Only three items fell in price—fresh tomatoes, eggs and margarine.

It is becoming clear now that the 1977

pattern of food price movements will be dramatically different from those of 1976. Last year, prices remained almost flat throughout the year. This year, all signs are that they will be rising fairly steadily.

If hot, dry weather cuts the yield of this country's major crops and the availability of pasture, the prospect is for food prices to accelerate again late in the year. A severe drought could delay the increase. This is because more cattle would be sent to slaughter, due to high feed costs and lack of pasture. Such a rush would depress meat prices for a while. Thus the major impact of the weather on retail food prices would not be felt until 1978.

Wholesale food prices, meanwhile, were reported officially on May 5 to have risen by 2.5 per cent in a month, with farm prices up by 3.3 per cent. This was the biggest jump in a year, and indicated more sizable increases ahead in the retail price of food.

A *U.S. News & World Report* survey, conducted monthly in eight major cities, shows that food prices have moved up since January, with coffee gaining most. In each city, a staff member obtained price figures by shopping a leading grocery store.

## ATLANTA

	May	Change From Month Ago	Change From January
Ground beef, lb.	.95	Down 4¢	Up 7¢
Bacon, lb.	\$1.89	No Change	Up 11¢
Pork chops, ctr. rib, lb.	\$1.89	Up 1¢	Up 11¢
Peaches, lb. can	.44	No Change	Up 6¢
Tuna, 6½-oz. can	.68	No Change	Up 4¢
Sugar, 5 lbs.	.98	No Change	No Change
Coffee, 2-lb. can	\$6.95	No Change	Up \$2.60

## CHICAGO

	May	Change From Month Ago	Change From January
Ground beef, lb.	\$1.09	No Change	No Change
Bacon, lb.	\$1.53	Up 4¢	Down 6¢
Pork chops, ctr. rib, lb.	\$1.39	No Change	No Change
Peaches, 29-oz. can	.65	No Change	Up 6¢
Tuna, 6½-oz. can	.63	Down 10¢	Up 8¢
Sugar, 5 lbs.	\$1.19	Up 1¢	Up 30¢
Coffee, 2-lb. can	\$6.99	Up 90¢	Up \$2.00

## DETROIT

	May	Change From Month Ago	Change From January
Ground beef, lb.	\$1.28	Up 10¢	Up 29¢
Bacon, lb.	\$1.88	No Change	Up 10¢
Pork chops, ctr. rib, lb.	\$1.89	No Change	Up 21¢
Peaches, lb. can	.44	No Change	Up 2¢
Tuna, 6½-oz. can	.59	No Change	No Change
Sugar, 5 lbs.	.94	No Change	Up 3¢
Coffee, 2-lb. can	\$6.33	Up 94¢	Up \$1.84

## HOUSTON

	May	Change From Month Ago	Change From January
Ground beef, lb.	.89	No Change	No Change
Bacon, lb.	\$1.59	No Change	No Change
Pork chops, ctr. rib, lb.	\$1.79	Up 4¢	Up 12¢
Peaches, lb. can	.43	Down 3¢	No Change
Tuna, 6½-oz. can	.65	No Change	Up 4¢
Sugar, 5 lbs.	.99	No Change	Up 4¢
Coffee, 2-lb. can	\$7.11	No Change	Up \$2.34

## LOS ANGELES

	May	Change From Month Ago	Change From January
Ground beef, lb.	.59	Down 6¢	No Change
Bacon, lb.	\$1.59	No Change	Up 30¢
Pork chops, ctr. rib, lb.	\$1.98	No Change	Up 19¢
Peaches, lb. can	.43	Up 2¢	Up 2¢
Tuna, 6½-oz. can	.87	Up 11¢	Up 14¢
Sugar, 5 lbs.	.99	Up 8¢	Up 6¢
Coffee, 2-lb. can	\$7.58	Up \$1.40	Up \$3.42

## NEW YORK

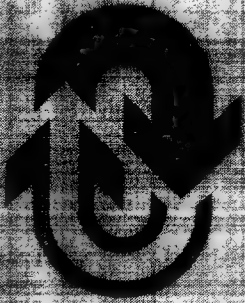
	May	Change From Month Ago	Change From January
Ground beef, lb.	\$1.09	Up 10¢	Up 20¢
Bacon, lb.	\$1.73	Up 14¢	Up 8¢
Pork chops, ctr. rib, lb.	\$1.99	Up 10¢	No Change
Peaches, lb. can	.49	No Change	No Change
Tuna, 6½-oz. can	.95	No Change	Up 4¢
Sugar, 5 lbs.	\$1.05	No Change	No Change
Coffee, 2-lb. can	\$6.77	Up 20¢	Up \$1.80

## SAN FRANCISCO

	May	Change From Month Ago	Change From January
Ground beef, lb.	.79	Up 10¢	No Change
Bacon, lb.	\$1.39	Up 8¢	Up 14¢
Pork chops, ctr. rib, lb.	\$1.89	No Change	No Change
Peaches, lb. can	.59	No Change	Up 4¢
Tuna, 6½-oz. can	.61	No Change	Up 12¢
Sugar, 5 lbs.	\$1.05	No Change	Up 2¢
Coffee, 2-lb. can	\$6.49	Up 70¢	Up \$1.97

## WASHINGTON, D.C.

	May	Change From Month Ago	Change From January
Ground beef, lb.	.79	Up 10¢	Up 4¢
Bacon, lb.	\$1.65	No Change	Up 9¢
Pork chops, ctr. rib, lb.	\$1.89	No Change	Up 30¢
Peaches, lb. can	.69	Up 19¢	Up 19¢
Tuna, 6½-oz. can	.81	No Change	Up 31¢
Sugar, 5 lbs.	\$1.21	Up 8¢	Up 22¢
Coffee, 2-lb. can	\$6.57	Down 18¢	Up 22¢



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Revived fears of inflation mar the snappier tempo in business activity.

Wholesale prices in April shot up at a yearly rate of 14 per cent for the second month in a row. For three straight months the annual pace has been in double digits, stirring concern among businessmen, investors, consumers.

Farm prices accounted for the bulk of last month's rise. That threatens more upward pressure on supermarket bills, as detailed on page 71.

Administration officials see the surge in wholesale prices as temporary. They note this: Gains in industrial prices, considered the best sign of the underlying trend of inflation, have been about half that of the over-all index.

But on May 6, steel companies began hiking prices 3 to 11 per cent.

Prices that are rising "too fast" are a top worry of corporate buyers, according to the latest poll taken by the National Association of Purchasing Management. Otherwise, businessmen are optimistic, the study concludes.

Three fourths of the purchasing agents expect economic expansion to continue over the next 12 months. The percentage of them who are "concerned" or "worried" is the lowest since the spring of 1973. Also shown--

Good improvement in both new orders and production in April.

Increasing employment levels for the second month in a row.

Slower deliveries, indicating that order backlogs are rising.

Several other measures confirm the upswing in economic activity.

Employment in April hit a new peak of 90 million persons.

The jobless rate, meanwhile, fell from 7.3 per cent of the labor force in March to 7 per cent, its lowest level in 29 months.

Both factory orders and shipments in March scored their second-largest gain in more than six years.

Construction spending surged in March for the second straight month.

Auto sales were buoyant in April, especially for imports.

Consumer credit, boosted by car buying, expanded by 2.7 billion dollars in March. That was a record for a single month.

Capital investment continues to be the most sluggish part of the business expansion. Placement of orders for plant and equipment slipped to the lowest level in 18 months and the second-lowest in four years in the survey of purchasing managers. Weakness in capital growth could become an acute problem by next year. That warning was sounded by both the Commerce and Treasury Secretaries before the Society of American Business and Economic Writers at a meeting in New York City, May 1-4.

President Carter's energy-conserving proposals have had little impact so far on industry's construction plans. Talks with scores of manufacturers in



many parts of the country underscore that. Few have altered blueprints for new facilities or held up construction already in progress. A typical reaction: So many uncertainties surround energy proposals that it's best to stick to original plans. That from Frank Allston of IC Industries.

Most firms for months have been designing coal burners into new plants wherever possible, anticipating a federal crackdown on other fuels.

Majority of manufacturers seem hesitant to commit themselves at this time to undertake new programs for capital improvements.

Officials of U.S. Steel are on the fence. Shape of any new energy law, they say, will have a major influence on their decision whether or not to start construction of a new facility at Conneaut, Ohio. From a large manufacturer of furniture in High Point, N.C.: Businessmen contemplating new projects are tending to "wait and see what cat is finally coming out of the bag."

Securities experts take a cautious view of stock-market prospects for rest of this year. That was clear from talks with investment people at the annual meeting of the Financial Analysts Federation in Montreal early in May.

Greatest worries that dominate stock activity; the threat of a fresh spurt of inflation, uncertainties about policies of the Carter Administration.

But many analysts say stock prices are so low that a turn is in the cards.

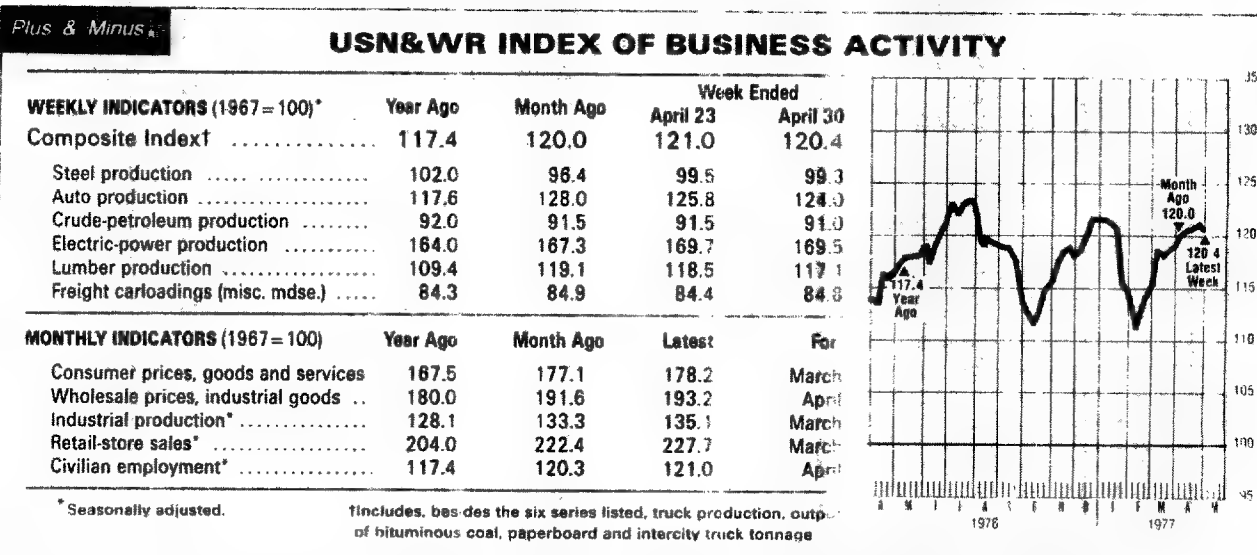
Some see growth stocks such as Kodak, IBM and 3M as ready for a rally. Why? Simply because they've performed so poorly the past three years.

Other favorites: companies in consumer durables, electronics, machine tools, industrial machinery, data communications, coal, petroleum and other energy-related issues--along with firms with plants in the South's "Sunbelt."

Experts are less enthused by autos, steel, rubber, consumer nondurables.

Huge imports of oil could push the nation's deficit in world trade this year to 20 billion dollars, three times larger than the previous record. So figures Treasury Secretary Michael Blumenthal.

Our index of weekly indicators fell slightly in the latest period.



# When Bill Collectors Play Rough—

**H**ARASSMENT and intimidation by bill collectors have become so widespread that Congress is now ready to do something about the situation.

Lawmakers are likely to adopt this solution to abuses by a minority of collectors: Ban high-pressure tactics used by some of the country's 5,000 debt-collection agencies that try to rake up billions of dollars a year in unpaid bills.

Senate hearings were set to begin May 12 on a bill already passed by the House. Odds for passage have improved, given the recent endorsement of two trade groups representing collection firms.

What has aroused Congress most are "horror stories" presented in testimony at the hearings in the House.

One of the most tragic involved Ann Caputo of Hoboken, N.J., who six months after her marriage was told that her husband had terminal cancer.

That same day, she began getting phone calls about an unpaid bill for \$200, incurred by her husband before their marriage. Despite her pleas that her husband was dying and her promise to pay as soon as she could, the bill collector continued to hound her for the full payment, even at the hospital. He also refused to accept monthly \$10 installments offered by Mrs. Caputo's brother.

The phone calls did not stop with her husband's death three weeks after the initial call. The harassment continued even though New Jersey law precludes liability for premarriage debts.

**Financial advice.** A California woman was told to raise money for her unpaid bill by putting her son up for adoption, going on welfare, or kicking her mother out of the house. As a last resort, the collector advised suicide.

Also in California, a collector posed as a policeman and as a Red Cross representative, to track down debtors who had moved. The collector pretended he was trying to find an individual whose relatives were injured in an accident. The same collector also impersonated a public-health inspector from "the venereal-disease-control section."

In another case, a collector identified himself as a deputy sheriff and informed the debtor that an order of repossession was in his hand, but would not be served if the debtor would come to the office with the balance owed. Repossession was never intended.

Some collectors have identified themselves as bank examiners or representatives of the Internal Revenue Service in order to locate a debtor's assets before filing a lien.

Threats to file suit or garnishee wages are common practices, even though there is rarely an intention to follow through. Threats of violence, with collectors asking the debtor if he has ever been beaten up, also are not uncommon.

Persistent calls at all times of the day and night are frequent occurrences, according to consumer-affairs officials.

**The constant caller.** A riding stable in Northfield, Minn., received up to 40 calls a day from a collector who would ring back as soon as the stable employees hung up.

"The business of a collection agency is money, nothing else," one former debt collector told a House subcommittee. Some companies are worse than others, he added, to the point where they are "interested in money only, no matter at what ethical cost."

Said another former collector: "Make no mistake about it. This is an industry like no other you can imagine. While some businesses sell furniture and others are engaged in grocery-store operations, debt collectors are greedy people who live off the misery of others."

Today collection firms are subject only to State regulation. Thirty-seven States, plus the District of Columbia, have laws on bill collecting. But many are considered so weak that they don't deter abusive treatment.

Also, stringent rules in one State can be avoided by operating from another one. This practice has become common, thanks to low-cost, long-distance phone service.

The bill passed by the House would try to reduce the misery described by many consumers by making the following tactics illegal:

- Abusive or obscene phone calls as well as any calls to the debtor's home between 9 p.m. and 8 a.m.
- Harassing calls or visits to the debtor's place of work, or to his neighbors or relatives.
- Phony "legal documents" or impersonations of lawyers or policemen or any other misrepresentation of the collector's true identity.
- Threats to take action that cannot be legally taken or is not intended to be taken.

The law would apply to firms that are principally engaged in collecting debts. Lenders, retailers or companies that extend credit and attempt to collect on their own would not be subject to federal regulation.

According to the collection industry, that means a "loophole" for many companies that collect bills.

That is one reason the two largest associations of collection agencies—American Collectors Association (ACA) and the Associated Credit Bureaus—originally opposed the bill.

**Legitimate gripes?** The two groups also argued that the bill was not needed since complaints of abuse were few and far between—one complaint for every 18,000 debtor contacts, ACA figures show. Many of these consumer complaints, ACA contends, are not valid since their only purpose is to stall for time to pay off the bill.

Despite these concerns, the two trade groups reversed position to support the House-passed bill, after changes were made to make compliance less costly. For example, in notifying the debtor of his unpaid bills, the collector would not have to detail every bill owed one company. The total amount owed would be sufficient.

Most of the practices that would be barred by the new law are already illegal, said ACA's Executive Vice President John Johnson in explaining the turnabout. And even if they weren't, he added, "A legitimate collector wouldn't do those things."



## BORROWING SOARS —AND SO DO DEFAULTS

Furor over debt collecting stems from a growing economic problem: People aren't paying their bills.

Members of American Collectors Association in 1975 were asked to bring in 3.9 billion dollars from 43.6 million delinquent accounts. Three years earlier, ACA members were dealing with 2.1 billion dollars in bad debts involving 29.3 million accounts.

The Federal Government has turned to private collection agencies to handle unpaid student loans. Defaults are running as high as 10 per cent, with the total approaching 1 billion dollars.

The rise in delinquencies reflects a sharp bulge in consumer-installment debt. Federal Reserve Board figures show that such debt—exclusive of home mortgages—at the end of 1976 stood at nearly 179 billion dollars, up 10 per cent from a year earlier, and 75 per cent above 1970's level.

# CITIES WHERE BUSINESS IS BEST

**Economic worries still plague many places across the country. But a fresh survey shows new confidence—even in struggling communities.**

In many U.S. cities, large and small, there's now more confidence in business prospects than at any time in several months.

Up-to-the-minute reports from *U.S. News & World Report* bureaus show that the ingredients that make for thriving business are present in most areas—

Construction of homes, stores and offices—uneven much of last year—is adding fuel to the economic rebound throughout the country.

The pickup in auto production has sent prosperous ripples through the dozens of communities whose fortunes depend on that industry.

Retail sales are bouncing back in many of the cities that suffered through the unusually harsh winter.

The surge in buying reflects widespread gains in the work force, as well as the fatter paychecks being taken home by employees in industries that are boosting production.

**Northeast's future brighter?** Even in the large cities of the Northeast, where recovery still lags behind the rest of the nation, there are signs that the worst is over.

In New York City, for example, employment in private industry has begun to level off after a long slide. Mayor Abraham Beame has also announced

that some municipal workers now on layoff may be hired back in the coming months.

It's a brighter picture in Philadelphia, too. A recent Federal Reserve Bank study shows that 96 per cent of the manufacturers there expect business either to increase or at least to remain stable in the next six months. Retail sales, in a slump now because of a mass-transit strike, may get a lift this summer with completion of the Gallery, a 125-store shopping complex.

Downtown store sales are surprisingly brisk in Boston and Washington. Leading the way in Boston is the recently renovated Quincy Market, which includes 60 specialty shops and restaurants. Fifty more are to open in coming weeks.

Says Peter Menconeri, deputy director of the Boston Redevelopment Authority: "For years, downtown Boston merchants have been losing sales to the suburban malls, but Quincy Market is turning that all around. More than 50 per cent of its customers come from the suburbs."

Leonard Kolodny of the Metropolitan Washington Board of Trade also points to increases in downtown retail sales—a reversal of the losses that stores have suffered in recent years. Among reasons

for the upturn: favorable weather, completion of a downtown leg of the new rapid-transit system and a steadily growing population of office workers.

The capital is in the middle of an office-construction boom. Vacancy rates in downtown buildings are among the lowest in the nation. Housing renovation is thriving, too.

However, it's in the smaller cities of the East where the healthiest business activity is reported. Manchester, N.H., expects to add 2,400 new jobs this year. Providing much of the boost: construction of highways, three hospitals and a 10-million-dollar shopping center. A new Digital Equipment Corporation plant, when completed, will add 750 jobs.

Providence is benefiting from a pickup in construction and from the all-time-high employment in that city's important jewelry-making industry.

Steadily increasing employment by General Dynamics Corporation's submarine-parts factory has been a big help to Providence. Moving ahead, too, are plans for downtown renewal, including an 11-million-dollar renovation of the Biltmore Hotel, beginning in June.

City officials in Burlington, Vt., say diversification is keeping that community's business on the upswing. Employment is divided among industry and large medical and educational services. A lively tourist trade, spurred by this past winter's banner ski season, has led to building of new stores and hotels.

Smaller cities are out in front economically in the Southeast, too. Tourists are flocking to Charleston, S.C., Savannah, Ga., and Virginia Beach, Va., giving retailers reason to cheer.

Almost two dozen new restaurants and numerous specialty shops have sprung up in Charleston's old-market section since the beginning of the year. Tourism is expected to be up a whopping 40 per cent this year. And in Savannah, hotels in the city's historic center have been running at full occupancy for months.

Other pluses in Charleston, as well as in Savannah and Norfolk, are increased port traffic and a build-up in military employment. In Savannah, the military payroll has climbed by 50 per cent in the last year, setting off what local contractors call the biggest wave of home building in 15 years.

**Tourism down.** The outlook is less bright in some of the larger cities of the Southeast. Poor weather has hurt tourism in Miami, for instance. However, there are signs that the huge supply of unsold condominiums there is dwindling, and that's good news for the city's important construction industry.

Construction still remains sluggish in



Tourist trade is brisk in several smaller cities of the Southeast. One of the most popular attractions with visitors, pictured here, is the Old Market section of Charleston, S.C.

# A LOOK AT BUSINESS ACROSS THE COUNTRY



DEPARTMENT-  
STORE  
SALES  
COMPARED  
WITH  
A YEAR AGO

EXTENT  
OF  
UNEMPLOYMENT

NONFARM  
EMPLOYMENT  
COMPARED  
WITH  
A YEAR AGO

INCOME OF  
AVERAGE  
FACTORY  
WORKER\*

FACTORY  
WORKERS'  
INCOME  
COMPARED  
WITH  
A YEAR AGO

CONSTRUCTION  
ACTIVITY  
COMPARED  
WITH  
A YEAR AGO†

## IN EASTERN CITIES

Atlanta	Up 3.4%	5.9%	Up 1.8%	\$11,422	Up 4.1%	Up 4.6%
Baltimore	Up 4.7%	8.9%	Up 1.8%	\$13,082	Up 12.0%	Up 2.5%
Boston	Up 6.1%	9.9%	Up 1.3%	\$11,804	Up 9.1%	Down 5.6%
Bridgeport	Up 10.9%	9.5%	Down 3.2%	\$12,239	Up 8.2%	Down 6.7%
Buffalo	Down 1.8%	11.1%	No change†	\$15,592†	Up 16.7%†	Up 2.6%†
Burlington, Vt.	Not available	0.0%**	Up 5.9%	\$11,699	Up 8.9%	Up 15.7%**
Charleston, S.C.	Down 2.2%	5.4%	Up 4.1%	\$ 9,951	Up 9.5%	Up 10.0%
Charleston, W.Va.	Up .3%	7.2%	Down 1.6%	\$14,145	Up 12.0%	Down 13.8%
Charlotte, N.C.	Not available	4.7%	Up 1.8%	\$ 8,572	Up 9.5%	Up 9.1%
Greensboro area	Up 7.2%	5.6%	Up 1.3%	\$ 8,877	Up 7.2%	Up .9%
Hartford	Up 10.7%	8.6%	Up .7%	\$13,277	Up 11.0%	Down 15.1%
Jacksonville	Down 4.6%	6.1%	Up .6%	\$10,831	Up .1%	Up 2.1%
Manchester, N.H.	Not available	6.9%	Up 2.6%	\$ 8,361	Up 6.9%	Down 4.9%
Miami	Up 9.6%	8.2%	Down .3%	\$ 8,549	Up 9.0%	Down 2.6%
Newark	Down 1.0%	9.9%	Up .6%	\$12,994	Up 24.0%	Up .4%
New York area	Up 2.3%	10.2%	Down 1.2%†	\$10,096†	Up 5.3%†	Down 8.4%†
Norfolk area	Up 11.1%	7.2%	Up 2.1%	\$11,239	Up 25.1%	Up 2.7%
Philadelphia area	Up 3.7%	9.2%	Down .5%	Not available	Not available	Down 8.5%
Pittsburgh	Up 2.2%	10.1%	Down .5%	\$14,232	Up 9.7%	Down 1.5%
Portland, Me.	Up 8.8%	9.5%	Up 4.6%	\$ 9,385	Up 7.2%	Up 3.0%
Providence area	Up 6.1%	6.2%	Up 2.7%	\$ 8,899	Up 5.9%	Up 13.8%
Richmond	Up 6.1%	6.2%	Up 1.6%	\$11,026	Up 3.2%	Up 3.3%
Rochester	Up 6.0%	6.8%	Up .8%†	\$14,229†	Up 8.5%†	Up 6.0%†
Savannah	Down 8.5%	7.6%	Up 3.9%	\$12,553	Up 14.7%	Down 2.1%
Tampa-St. Petersburg	Up 4.8%	6.1%	Up .4%	\$10,031	Up 9.6%	Down 3.9%
Washington, D.C. area	Up 11.1%	4.9%	Up 1.6%	\$10,892	Up 1.0%	Up .9%
Wilmington	Up 12.4%**	11.6%	Down 1.4%	\$13,094	Up 2.2%	Up 4.2%

## IN CENTRAL CITIES

Birmingham	Down 1.8%	7.3%	Up 3.0%	\$12,054	Up 9.6%	Up 4.3%
Chicago	Up 8.2%	6.0%	Up 2.5%	\$13,267	Not available	Up .4%
Cincinnati area	Up 5.5%	9.1%	Up 1.4%	\$13,221	Up 12.4%	Down 1.6%
Cleveland	Up 5.4%	7.0%	Up 1.2%	\$14,682	Up 11.2%	Down 4.4%
Columbus	Up 4.5%	7.6%	Up 2.9%	\$12,670	Up 9.5%	Down 3.7%
Dallas-Fort Worth	Up 10.5%	4.1%	Up 3.5%	\$10,229	Up 5.3%	Up 2.7%
Des Moines	Up 12.9%	4.6%	Up 1.3%	\$13,384	Up 9.2%	No change
Detroit	Up 8.5%	8.4%	Up 3.6%	\$17,709	Up 13.4%	Up 15.8%
Fargo area	Down .6%	Not available	Up 2.6%	\$10,258	Up 7.7%	Down 4.0%
Grand Rapids	Up 14.1%	9.8%	Up 4.7%	\$12,350†	Up 6.7%†	Up 5.3%

City-by-city figures are based on official reports for March, latest available, except department-store sales and unemployment. \*Factory workers' weekly earnings at annual rates. †Based on number of workers employed in construction. \*\*Rate for the State—roughly the same as for major cities in that State. Most statistics are for metropolitan areas. ‡February data.

More statistics on...



## WHERE BUSINESS IS BEST

(continued from page 76)

Memphis, a city that is also suffering the effects of past overbuilding.

In Baltimore, the problem is weak retail sales. A flurry of downtown construction, vital for the city's future, has temporarily caused congestion that discourages shoppers.

Atlanta is faring better—thanks, in part, to a 30 per cent increase in home building. Tunneling for the city's new subway system will require 3,000 workers this summer. Construction is also moving ahead on a 47-million-dollar federal office building.

Cities from Pittsburgh to Chicago are getting a shot in the arm from a healthier auto industry.

The Michigan employment-security commission reports that the jobless rate in the six-county metropolitan Detroit region is at 7.7 per cent—the lowest since early 1974.

John Barnds, vice president of business and banking analysis for the National Bank of Detroit, says that the good automobile year has already resulted in a 13 per cent boost in retail sales for the area.

In Grand Rapids, Anthony Jarrett, director of economic development for the chamber of commerce, notes that the city's many tool-and-die shops that supply the auto industry are booming.

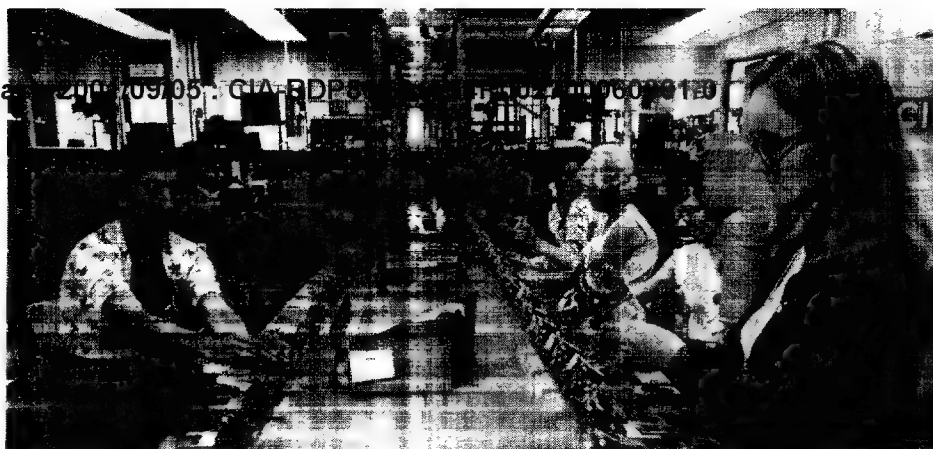
Also gaining from the improvement in auto production are cities, such as Flint, Cincinnati and Cleveland, that produce parts for the industry. Pittsburgh and Chicago—big steel-producing centers—have been helped as well.

"Large steel firms are beginning to lure summer workers," says Margaret Walsh of the *Pittsburgh Business Review*, "and that's something they didn't do last year." She adds that steel-dominated communities would do better if more companies went ahead with building new plants—a move that she notes would jack up steel output even further.

**Industrial upswing.** Chicago, for one, is beginning to see more industrial expansion, according to Richard G. Levy, assistant vice president for industrial properties with Arthur Rubloff & Company. Levy notes that more industrial land has been purchased in the last six months than during the past two years combined.

Capital investment in new plants in the Chicago area last year was 2½ times that of 1975, and the increases have continued into this year. Home building and construction of downtown hotels are also on the rise.

The President's call for cutbacks in use of petroleum products hasn't dampened spirits in energy capitals of the



Many Midwestern cities are benefiting from the surge in auto production. Operating at full tilt are firms that supply the industry, such as this parts plant in Flint, Mich.

Southwest, such as Houston and Oklahoma City.

Economist George E. Crosby of Houston's First City National Bank notes that even if the final energy bill suppresses domestic oil production, this city would not be hurt. That's because energy-related companies, such as the makers of drilling equipment, would shift sales to the international market.

Houston is expected to lead the nation for the second year in a row in housing starts. Commercial and industrial expansion is proceeding at a fast clip, with 23 new plants or additions announced so far this year.

The Dallas-Fort Worth area is also flourishing. Under way in Fort Worth is the 140-million-dollar Tandy Corporation complex, which will eventually cover eight blocks and contain offices, stores and a large hotel. Retail sales are so good, as one observer puts it, that "you can't even elbow your way into some shopping centers."

**Feeling the pinch.** On the West Coast, retailers are having to work harder for their money. John Kyser, vice president of the United California Bank, says stores are extending Saturday hours and holding many special promotions. A major reason is that families are feeling the pinch from high prices for "big ticket" items, particularly homes.

Despite rising prices, houses are selling at a rapid pace in such cities as Los Angeles, San Diego, Tucson and Phoenix.

One example: New homes worth a total of 100 million dollars have been sold since early January in Sun City, a retirement community near Phoenix.

The search for energy—coal, gas, oil and uranium—continues to stimulate business in several Western cities, such as Albuquerque, N.M., and Casper, Wyo. Six uranium mine-mill operations have opened in the Casper area in the last 18 months, triggering a spurt of new construction and new businesses.

Tourism has helped shore up the economy of drought-plagued San Francisco, while nearby Oakland has been helped by a pickup in traffic at its port. Elsewhere in California, cities with a heavy tie to agriculture, such as Fresno, continue to do well and don't expect to feel any damage from dry weather for some months.


In the Pacific Northwest, Seattle firms have had to adjust to the decline in Alaska-pipeline business, as that project winds down. Helping to offset this loss has been increased production and jobs in the large aircraft and lumber industries. Employment at the Boeing Company, which is enjoying a rash of orders for new commercial aircraft, has jumped by 1,700 since January.

For the country as a whole, few cities can point as yet to economic gains across the board. But more often than not, the good business news outweighs the bad, and there's clearly an air of optimism for the months just ahead.

In the Los Angeles area, construction of new homes can't keep up with demand. Prices have soared beyond reach of many middle-income families.



# A LOOK AT BUSINESS ACROSS THE COUNTRY continued

	DEPARTMENT- STORE SALES COMPARED WITH A YEAR AGO	EXTENT OF UNEMPLOYMENT	NONFARM EMPLOYMENT COMPARED WITH A YEAR AGO	INCOME OF AVERAGE FACTORY WORKER*	FACTORY WORKERS' INCOME COMPARED WITH A YEAR AGO	CONSTRUCTION ACTIVITY COMPARED WITH A YEAR AGO†
Houston	Up 8.9%	5.2%	Up 4.7%	\$14,093	Up 11.0%	Up 3.1%
Indianapolis	Up 1.6%	7.0%	Down .7%	\$14,390†	Up 15.2%†	Down 2.5%
Jackson, Miss.	Up 6.2%	5.2%	Up 3.1%	\$ 9,103	Up 10.3%	Up 14.3%
Kansas City, Mo.-Kans.	Up 9.5%	6.3%	Up 1.6%	\$13,297	Up 13.7%	Down 10.5%
Knoxville	Down .9%	5.3%	Up 1.7%	\$11,185	Up 11.1%	Up 1.1%
Little Rock area	Up 7.1%	5.3%	Up 3.6%	\$10,062	Up 13.7%	Up 13.0%
Louisville area	Up 4.1%	6.8%	Up 2.2%	\$12,587	Up 6.3%	Down 3.4%
Memphis area	Up 1.3%	6.6%	Up 1.0%	\$10,662	Up 7.9%	No change
Milwaukee	Up 4.3%	5.9%	Up 1.0%	\$13,774	Up 6.6%	Up 4.0%
Minneapolis-St. Paul	Up 5.3%	6.3%	Up 3.2%	\$13,114	Up 8.5%	Up 7.7%
Mobile	Up 3.7%	7.1%	Up 4.0%	\$12,175	Up 12.2%	Down 8.1%
New Orleans	Up 9.6%	8.1%	Up .8%	\$12,283	Up 10.2%	Down 1.5%
Oklahoma City	Up 6.0%	5.0%	Up 5.3%	\$10,631	Up 9.1%	Up 13.6%
Omaha area	Up 11.1%	Not available	Up 2.7%	\$12,869	Up 8.2%	Down 2.1%
San Antonio	Up 8.0%	6.8%	Up 1.0%	\$ 8,363	Up 1.9%	Down 1.6%
St. Louis area	Up 5.3%	7.4%	Up .3%	\$12,751	Up 5.8%	Down 4.8%
Sioux Falls, S.D.	Down 15.1%	3.6%	Up 3.4%	\$12,412	Up 10.6%	Up 4.5%
Topeka	Up 4.9%	4.8%	Up .6%	\$11,866	Up 7.8%	Up 14.3%
Tulsa	Up 12.9%	5.1%	Up 3.4%	\$11,662	Up 7.9%	Up 10.9%
Wichita	Up 6.7%	5.5%	Up 1.2%	\$11,921	Up 5.6%	Up 8.1%
<b>IN WESTERN CITIES</b>						
Albuquerque	Up 6.2%	9.7%	Up 5.2%	\$ 9,210	Up 14.7%	Up 12.1%
Boise	Up 16.5%	5.5%	Up 6.1%	\$11,019**	Up 10.8%**	Up 4.4%
Casper	Not available	4.8%**	Up 6.8%	\$14,338	Up 10.2%	Up 5.0%
Denver-Boulder	Up 12.8%	6.5%	Up 2.6%	\$11,150	Up 1.4%	Up 2.7%
Fresno	Up 13.0%	9.1%	Up 4.3%	\$10,868	Up 4.5%	Up 8.6%
Great Falls	Up 10.0%	Not available	Up 5.2%†	\$13,552**	Up 18.2%**	Up 33.3%†
Honolulu	Up 1.3%	7.8%	Up 1.2%	\$11,142	Up 10.4%	Down 10.7%
Los Angeles-Long Beach	Up 10.6%	7.8%	Up 3.8%	\$11,480	Up 9.3%	Up 2.5%
Phoenix	Up 11.3%	7.7%	Up 4.2%	\$11,276	Up 10.4%	Up 6.4%
Portland, Oreg.	Up 13.9%	8.6%	Up 4.2%	\$12,752	Up 9.6%	Down 1.2%
Sacramento	Up 18.5%	8.2%	Up 5.5%	\$12,747	Up 7.7%	Up 6.2%
Salt Lake City	Up 17.8%	5.8%	Up 5.0%	\$10,164	Up 7.6%	Up .6%
San Diego	Up 13.9%	10.9%	Up 3.7%	\$11,743	Up 4.9%	Up 12.0%
San Francisco-Oakland	Up 9.4%	9.3%	Up 2.2%	\$15,020	Up 11.1%	Up .4%
Seattle	Up 14.8%	6.3%	Up 5.3%†	\$13,868	Up 6.6%	Up 18.5%
Tucson	Up 2.0%	7.1%	Up 2.0%	\$11,446	Up 6.4%	Down 1.1%
<b>U.S. AVERAGE</b>	<b>Up 9.3%</b>	<b>7.5%</b>	<b>Up 2.9%</b>	<b>\$11,458</b>	<b>Up 8.4%</b>	<b>Up 4.3%</b>

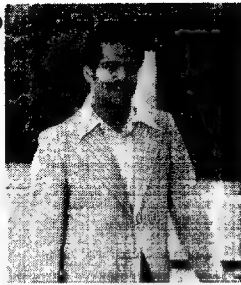
City-by-city figures are based on official reports for March, latest available, except department-store sales and unemployment. \*Factory workers' weekly earnings at annual rates. †Based on number of workers employed in construction. \*\*Rate for the State—roughly the same as for major cities in that State. Most statistics are for metropolitan areas. ‡February data.

Source: U.S. Department of Commerce



"I feel we can rely upon Firestone tires. They're fine. I don't even know they're there. And that's the kind of tires I like."

Carol Zweifel,  
Police Officer



"I selected Firestones and I'm very happy with them. Do yourself a favor. If you've got to drive, drive on Firestones."

Hausmann DePass,  
Inhalation Therapist



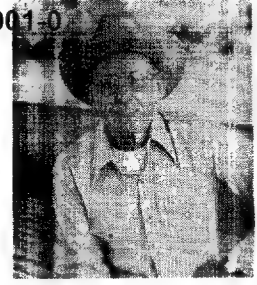
"What can you say about anything in life—it's the way you feel. I can't say anything more about a tire like Firestone except I'm comfortable with it."

Cliff Williamson,  
Insurance Agent



"We have steel belted radial tires. Firestones. Based on what we've just experienced, I would buy Firestone again."

Ruth Metcalf,  
Director of Christian Education



"I would recommend Firestone tires to anyone. A young fellow that works for me is going to put a set on. He told me if they don't last he's going to make me pay for them. I told him 'oka!'"

Virgil Guess,  
Meat Cutter

Friends like ours bring out the best in us...

Announcing the finest radial tire we've ever built:

# FIRESTONE 721 STEEL BELTED RADIAL

5 million test miles now bring you the experienced radial.

At the Firestone Developmental Proving Ground at Fort Stockton, Texas, Firestone endlessly works at improving its steel belted radials. And it is here that the new Firestone 721 has become what it is. The experienced radial.



**Our new 721 steel cord.  
Much stronger and why.**

Before we tell you some of the things we do at Fort Stockton, we thought you'd like to know at least a few of the ways that our Radial 721 has become our finest steel belted radial tire as a result of torture testing.

Our tire gets its name from a steel cord we put together a different way than we ever did before, with each cord wound in a seven-strand-plus-two-strand-plus-one-strand method. In addition to the way it's wound, we now use ten strands of steel per cord where five were before. The result is a stronger cord for tire durability.

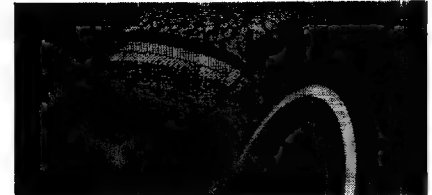


**Be glad you're not a tire.**

The life of a Firestone tire is not very pleasant at Fort Stockton, Texas. We do things in our development testing you'll probably never do in a lifetime of driving, and we urge you never to try.

We drive cars at 90 miles an hour day after day until a tire fails.

We corner on different surfaces, as fast and furiously as a driver can, plow cars through a road of water, overload station wagons with heavy sandbags, even *purposely* create blowouts by running tires over knives.



**The part of a tire you never look at, we do.**

But development testing isn't worth anything unless you use the results. At Firestone we not only torture a tire like our new Steel Belted Radial 721, we analyze the effects on every part of its anatomy. The tread, the sidewall, the belts, the beads.

**Torture makes for peace of mind.**

How can you have more peace of mind and take advantage of what we learn at Fort Stockton? By remembering that the safety of any tire depends on a lot of factors—on wear, load, inflation and driving conditions.

Our peace of mind comes from knowing we've done and are constantly doing our part, torturing tires in every important way we can think of to make them work hard and long and well for you.

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## FINANCE

# WHAT YOU NEED TO KNOW ABOUT THE LATEST TAX CHANGES—

**Some hefty tax savings are dished up in the 1977 tax bill now nearing final approval. But not everybody benefits. For a look at the details—**

About 50 million individuals and millions of businesses are in line for cash savings under the major tax bill cleared for final action by Congress.

The measure, when it becomes fully effective, will slash taxes by a total of 17.7 billion dollars a year. That is the case despite elimination of the \$50-a-person tax rebate initially proposed by President Carter.

Individual taxpayers get the bulk of the tax reductions in the new bill. However, there is one innovation of substantial benefit to businesses: a brand-new

tax credit for companies that add workers to their payrolls.

Consider first the way the new rules affect individuals:

**Tax deductions.** Thickest slice of tax relief—5.4 billions—goes to people who, rather than itemize deductible expenses, settle for the “standard” deduction. Among them are people who for the first time will find it profitable to take the standard allowance.

The old allowance, based largely on incomes, is being scrapped in favor of flat amounts, effective Jan. 1, 1977.

For married couples filing jointly, the standard deduction is to be \$3,200. Under the old rules, it has amounted to 16 per cent of income with a minimum of \$2,100 and a top of \$2,800.

Thus, all couples who file joint returns and do not itemize expenses get significant increases in deductions—ranging from \$400 to \$1,100.

Single persons and heads of households have been getting a standard allowance of 16 per cent of income with a minimum of \$1,700 and a maximum of \$2,400. Now, their standard deduction is to be a flat \$2,200.

Result: Lower-income singles and heads of households get deduction increases ranging up to \$500. But singles with incomes above \$13,750 lose as much as \$200 in the standard allowance.

For a married couple with two children and \$12,000 of annual income, the new standard deduction offers an actual tax reduction of \$209, or 20.4 per cent.

For a single person with \$30,000 of income, the reduced standard allowance

will mean a tax rise of \$90. The chart on this page shows how tax burdens are to be affected.

**Tax withholding.** Individuals who have income taxes withheld from their pay will feel the effect of the new measure starting June 1, when withholding rates are scaled down.

Since the withholding tables are based on the assumption that everyone takes the standard deduction, millions who itemize expenses and thus get no benefit from the higher standard deductions will notice cuts in taxes withheld and a rise in take-home pay.

For these people, however, the net result will be larger tax payments or smaller refunds on settling up at year-end. The alternative is to arrange with employers for extra tax withholding or to adjust quarterly payments to the Internal Revenue Service.

**General tax credit.** The credit that each taxpayer is allowed to take directly against the tax owed is extended through 1978.

For the past two years, it has been \$35 for each person on a tax return or—if it means bigger savings—2 per cent of taxable income on the return up to \$9,000, a maximum of \$180.

Two important changes have been made in this credit, effective Jan. 1, 1977:

- The credit now is offered for each exemption on a return. Thus, people who get extra exemption allowances for blindness or for age—65 and older—get added credits.

An elderly couple, for example, will

## HOW NEW STANDARD DEDUCTION WILL AFFECT YOUR PAYMENTS

*Congress's taxwriters have agreed on higher levels for the standard deduction used by millions on the federal income-tax returns. Here's what the changes will mean to three groups:*

### Married Couple, Two Children

#### Joint Return

Adjusted Gross Income	1976 tax	1977 tax	Change Dollars	Change Percentage
\$ 6,000	-\$ 200*	-\$ 200*	0	0
\$ 8,000	\$ 292	\$ 118	-\$174	-59.6%
\$10,000	\$ 646	\$ 442	-\$204	-31.6%
\$12,000	\$1,026	\$ 817	-\$209	-20.4%
\$14,000	\$1,376	\$1,181	-\$195	-14.2%
\$15,000	\$1,547	\$1,375	-\$172	-11.1%
\$16,000	\$1,734	\$1,591	-\$143	- 8.2%
\$18,000	\$2,124	\$2,031	-\$ 93	- 4.4%
\$20,000	\$2,624	\$2,524	-\$100	- 3.8%
\$25,000	\$3,969	\$3,857	-\$112	- 2.8%
\$30,000	\$5,552	\$5,416	-\$136	- 2.4%

\* Refund under earned-income credit

### Married Couple, No Children

#### Joint Return

Adjusted Gross Income	1976 tax	1977 tax	Change Dollars	Change Percentage
\$ 6,000	\$ 282	\$ 113	-\$169	-59.9%
\$ 8,000	\$ 603	\$ 427	-\$176	-29.2%
\$10,000	\$ 943	\$ 756	-\$187	-19.8%
\$12,000	\$1,295	\$1,096	-\$199	-15.4%
\$14,000	\$1,701	\$1,481	-\$220	-12.9%
\$15,000	\$1,877	\$1,701	-\$176	-9.4%
\$16,000	\$2,064	\$1,921	-\$143	-6.9%
\$18,000	\$2,499	\$2,399	-\$100	-4.0%
\$20,000	\$2,999	\$2,899	-\$100	-3.3%
\$25,000	\$4,424	\$4,296	-\$128	-2.9%
\$30,000	\$6,092	\$5,948	-\$144	-2.4%

### Single Person

Adjusted Gross Income	1976 tax	1977 tax	Change Dollars	Change Percentage
\$ 6,000	\$ 529	\$ 444	-\$ 85	-16.1%
\$ 8,000	\$ 899	\$ 804	-\$ 95	-10.6%
\$10,000	\$1,325	\$1,215	-\$110	-8.3%
\$12,000	\$1,741	\$1,666	-\$ 75	-4.3%
\$14,000	\$2,187	\$2,187	\$ 0	0%
\$15,000	\$2,403	\$2,457	+\$ 54	+2.2%
\$16,000	\$2,689	\$2,747	+\$ 58	+2.2%
\$18,000	\$3,286	\$3,348	+\$ 62	+1.9%
\$20,000	\$3,931	\$3,999	+\$ 68	+1.7%
\$25,000	\$5,753	\$5,830	+\$ 77	+1.3%
\$30,000	\$7,793	\$7,883	+\$ 90	+1.2%



## LATEST TAX CHANGES

(continued from preceding page)

rate \$70 in added tax credits and actual tax savings for 1977 and 1978.

• **Married couples** who file separate returns are hit by a new penalty. They are denied the choice of a tax credit equal to 2 per cent of their taxable income and must settle for \$35 a head.

• **Earned income.** The tax credit offered low-wage families—the earned-income credit—also is extended through 1978. It amounts to 10 per cent of the first \$4,000 of annual pay but phases out between \$4,000 and \$8,000.

• **Filing rules.** Millions of taxpayers will not have to file a federal return at all on their 1977 incomes as a result of the increase in the standard deduction.

Income levels at which returns must be filed have been \$2,450 for single persons and heads of households, and \$3,600 for couples filing jointly.

For 1977 and later years, the figures increase to \$2,950 for singles, and \$4,700 for couples, and higher ceilings for dependents.

The job of filing a return, moreover, will be greatly simplified next year for all taxpayers who settle for the standard deduction. When they file a return next April 15 they will simply look up their tax in a table.

• **Sick-leave pay.** Thousands of people who were shocked when Congress acted late last year to knock out or severely curtail their exemptions or exclusions on sick pay and disability-retirement benefits get a one-year reprieve. The bill nearing final action by Congress postpones the effective date for the new sick-pay rules until Jan. 1, 1977.

This means that for 1976 as much as \$5,200 in income still can be shielded from the federal tax. But, unless Congress takes further action, sick-leave benefits for workers will not be allowed for 1977.

Note: To claim their tax savings on 1976 incomes people will have to file amended tax returns for that year.

For 1977 and later, the exclusion for disability-retirement benefits will be restricted to people under age 65 and reduced or eliminated for people with incomes above \$15,000. That will mark the end of 327 million dollars in annual tax savings for individuals.

• **Living abroad.** Congress also postponed until Jan. 1, 1977, the severe curbs it imposed in 1976 on tax privileges of Americans who live abroad.

About 120,000 people living outside the U.S. are eligible to share in 45 mil-

lion dollars in tax relief. Their final returns are not due until June 15, 1977.

• **Legislators.** Members of State legislatures get a tax break retroactive to Jan. 1, 1976, and for years into the future as well. For years before 1976, legislators have been permitted to claim as their "tax homes," their home districts, even for years in which they spend more than half the time in their State capitals. Thus, they could deduct "away from home" living expenses while attending sessions, as well as travel costs involved.

That privilege lapsed at the end of 1975. Now Congress has restored it for

ness purposes, they will not have to prove that they use space exclusively for this purpose in order to deduct some expenses of maintaining the home.

That is effective from Jan. 1, 1977. But operators of child-care facilities will have to get any State licenses required within 30 days of the signing of the bill.

In addition, operators of day-care centers get an extension through 1981 for the privilege of claiming a five-year depreciation period for investments in facilities—such as added rooms and play equipment.

• **Corporations.** Reduced tax rates for smaller corporations, scheduled to lapse at the end of 1977, have been continued through 1978.

Thus, corporations will continue to pay 20 per cent on their first \$25,000 of profits, 22 per cent on the next \$25,000, and 48 per cent above that. Until recent years, the rates were 22 per cent on the first \$25,000 and 48 per cent above that.

• **Jobs-tax credit.** Companies that expand their payrolls by more than a specified minimum this year or next will get a tax credit and share in a total of 2.5 billions in annual tax savings. To qualify, an employer must expand his work force enough to increase his federal unemployment tax by at least 2 per cent and his payroll by at least 5 per cent.

An employer who does that can take a credit equal to 50 per cent of the first \$4,200 of wages paid to each new worker. That means a saving of up to \$2,100 on each new employee. But there are limitations:

• First, the maximum jobs-tax credit for any firm is \$100,000 each year, though an added 10 per cent in credits can be taken for hiring the handicapped.

• In addition, the final version of the bill, unlike the one passed by the House, requires that the employer's normal deduction for payroll expenses be reduced by the amount of the tax credit. That works out to the benefit of smaller firms, since deductions are worth most to big corporations that are paying the 48 per cent rate.

Thus, a firm paying the top rate will find that a job credit of \$2,100 will mean a net tax saving of \$1,092. The net relief comes to \$1,638 for a company in the 22 per cent bracket and \$1,650 for one in the 20 per cent bracket.

• **Oil drillers.** Independent drillers for oil and gas get temporary relief from a rule that imposes the 15 per cent "minimum tax" on benefits from deducting their so-called intangible drilling costs on dry holes. For 1977 only, their minimum tax will be reduced by their income from producing wells.

Some benefits of that tax break will go to affluent individuals who invest in oil-drilling tax shelters.



"PENNIES FROM HEAVEN."

years starting from Jan. 1, 1976. It is worth 3 million dollars, all told, in annual tax savings.

• **Conservation.** Tax relief is offered for individuals who put real estate in trust for someone else for temporary periods or for the life of the beneficiary, with the property then passing to a conservation use, such as preservation of open space.

Such donations for conservation have qualified for charitable deductions until June 14, 1977. Now that benefit is extended to such contributions made before June 14, 1981.

• **The aged.** Elderly people who found that their tax was increased rather than reduced by an overhaul of the retirement-income credit last year get to claim the credit under the old rules for one more year—1976. Again, an amended 1976 return is required.

• **Child care.** People whose homes are used to provide care for children, the handicapped or aged get a special break. Unlike others using their homes for busi-

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Carry-off luggage

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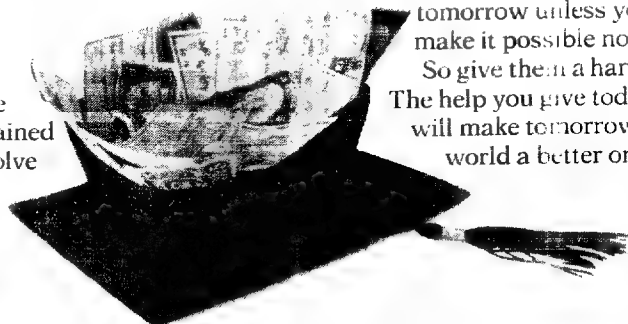
And it will be today's college-trained minds that will solve

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### TAX RULINGS

With Pocketbook Impact—

► **"Basis" of property.** People who supply their own labor and contracting services in building or improving a home may save handsomely on the expenses. But the tax cost could be substantial if the property is sold or destroyed later.

When the home owned by Betty Young in Alaska burned, her insurance firm reimbursed her for a casualty loss of \$41,545. It came as a severe shock when the Internal Revenue Service held that she had realized a fat profit on the deal, and she decided to fight back.

The Tax Court agreed with her that the real loss of value amounted to \$41,545 but noted that for tax purposes the amount to be counted could "not exceed the adjusted basis of the property"—that is, the cost as computed for tax purposes.

Betty's husband, the court pointed out, "did much of the construction work himself without pay," and "some of the materials were transported to Alaska from areas where they were less expensive." As a result, the cost, or "basis," of the house was less than \$30,000. So Betty had received ordinary income amounting to approximately \$11,600.

► **Death-bed gifts.** Sometimes people can run afoul of the tax laws without doing anything.

August B. Haneke provided the funds for five savings accounts that he set up jointly with his wife, Florence. Years later, with her husband's health declining rapidly, Florence—without August's knowledge—transferred the funds in four of the accounts to an account in her name alone and the fifth to a joint account with her sister-in-law.

After the death of August, IRS included the assets of all five savings accounts in his taxable estate, invoking a rule of law that provides that transfers of property by an individual within three years of death are "in contemplation of death" and, thus, are invalid for federal estate-tax purposes.

A federal district court agreed with IRS in including the four accounts that Florence put in her own name, but not the one she had put in the joint holding. The court reasoned that she had transferred the

funds in the four accounts in contemplation of her husband's death and that, since she was acting in August's behalf, her intention had to be attributed to him.

Both Florence and the IRS appealed. Now a circuit court has ruled for the IRS, holding that all five of the savings accounts must be included in August's estate.

► **Stock loss.** After Edward Dawson bought shares in X Corporation, fraudulent dealing in the stock by a major holder was reported. Trading in the issue was suspended, and the company folded. In bankruptcy, the company was reorganized, and its shareholders were allocated stock in the successor corporation.

Dawson claimed a tax deduction for loss based on theft or, alternatively, on worthless stock.

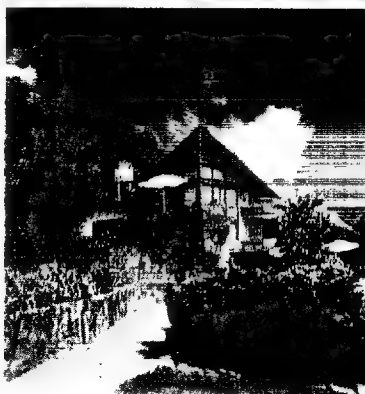
But IRS said "No." The perpetrators of the fraud, said IRS, did not intend "to defraud the taxpayer and did not obtain possession and title to the taxpayer's property."

Moreover, said IRS, the shares that the taxpayer was allocated in the successor corporation could not be assumed to be worthless. Only time would determine that.

► **Job hunting.** Some expenses incurred by an individual in seeking a new job in his usual trade or business, says IRS, can be deducted even by people who do not itemize their deductible expenditures. Travel expenses—including food and lodging on trips—along with local transportation expenses of job hunting are deductible against gross income. Other job-hunting costs—paper, stamps, want ads—can be deducted only by itemizing.

► **Scholarships.** The question of whether a stipend received by a hospital resident is paid for study and experience or for services performed hinges on the facts of each case, not on local law. So says the Tax Court in denying a surgical resident any exemption despite the fact that half of his stipend was specifically designated as a nontaxable scholarship under the laws of his State.

*Requests for citations to these cases should be addressed to Reader Service, 2300 N Street, N.W., Washington, D.C. 20037.*



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# BUICK REGAL



## How to talk yourself into a Buick.

Let's say you're looking for a new car. And, just for the sake of argument, let's also suppose that, like many people, you're in the market for a mid-size.

If that be the case, we suspect that you are hard pressed to make a decision. For heaven knows, there are a lot of mid-size cars to choose from.

But before you settle on one, we suggest you take a close personal look at the magnificent mid-size pictured above. The Buick Regal.

Be honest now. Even though you sure wouldn't mind driving around in a Buick, it's quite possible you haven't even considered the Regal. Because the mere mention of the name Buick conjures up elegance, luxury, prestige, and consequently, expense.

Well, the part about the elegance and what-not is all true. But the expense? Balderdash.

\*That Regal, as you see it equipped, with power steering, power brakes, available stowaway spare

tire, automatic transmission, whitewall tires and AM radio, carries a manufacturer's suggested retail price of \$5,115.05, including dealer preparation. Tax, license, destination charges, and other available equipment additional. Priced higher in California.

Which, if you've done any comparative shopping at all, is a darn good price for any good

mid-size car. But for a Buick, it's incredible.

If you agree, see your Buick dealer.

After you've seen the Regal, you'll talk yourself into it.



If you're thinking about a mid-size, and you're not thinking about a Regal, maybe you'd better think again.

# ***NEWS You Can Use***®

## ***IN YOUR PERSONAL PLANNING***

2300 N Street, N.W.  
Washington, D.C. 20037

Home-owners interested in solar heating can get some help on solar-powered water heaters under two new federal programs.

SOLAR HEATING. One program provides people anywhere in the U.S. with computerized findings about the costs of solar water heaters for individual homes. What you do is fill out a form about your house, hot-water needs and the type of system you are considering. You send the form to the U.S. Energy Research and Development Administration (ERDA). The form and a booklet explaining the program are free from: SOLCOST, Division of Solar Energy, ERDA, Washington, D.C. 20545. The information on your house will be fed into a computer along with other data such as the amount of sunshine in your area. You'll get back recommendations on the particular system you need, plus estimates of the cost of solar hot water for your house compared with the cost of gas or electricity. In most places, there will be a charge of \$10 to \$20.

The other program will award grants of \$400 each to 10,000 home-owners and builders in 11 States to pay for about half the cost of the equipment for solar hot-water systems. The States and numbers of State agencies to call for details on how to apply for the grants: Connecticut (203) 566-5757; Delaware (302) 678-4101; Florida (305) 783-0300; Maryland (301) 383-6810; Massachusetts (617) 727-7755; New Hampshire (603) 271-2711; New Jersey (201) 648-3290; New York (only in New York City and nearby counties) (518) 474-7183; Pennsylvania (717) 787-9749; Rhode Island (401) 277-2071; Vermont (802) 828-2768. People who apply for these grants can get the ERDA computer service free.

TAX AUDITS. If you are concerned that your federal income-tax return might be audited because it was audited last year, you can probably relax. Under a new rule, the Internal Revenue Service will not repeat an audit of the same item or items that were audited in either of the preceding two years. You may still get a letter questioning those items. But you simply have to reply that you were audited before for the same things, say for alimony payments or an exemption for a dependent, and that they were allowed. Chances are that the IRS will not pursue the matter further. It is a good idea to enclose with your reply the first audit letter you received from IRS in the previous year.

SACCHARIN. The U.S. Food and Drug Administration is asking for the comments of the public on its proposal to ban saccharin as a sweetener in foods, beverages and cosmetics. The proposal would permit saccharin to be sold as a nonprescription drug for use by diabetics and others on sugar-free diets. Send your views by June 14 to Hearing Clerk, FDA, Room 4-65, 5600 Fishers Lane, Rockville, Md. 20857. Write "saccharin" on the envelope.

(over)

## **NEWS You Can Use** (continued)

FOR CB FANS--. From now on, citizen's-band-radio operators risk bigger fines for violating federal rules. The Federal Communications Commission has just doubled the maximum fine for first-time violations from \$50 to \$100. The \$100 fine will be imposed for use of more power than authorized or for use of an unauthorized frequency. Other fines for first-time offenses are: \$75 for communicating over a distance of more than 150 miles or for operating with an antenna higher than allowed; \$50 for failure to identify transmissions by the operator's assigned call sign or for repeated failure to reply to FCC correspondence. Also, fines of up to \$100 will be levied for such violations as transmitting music or sound effects and for whistling.

RAIL FARES. The price of tickets on most Amtrak intercity routes will go up on June 1 by an average of 3 per cent. In addition, a fixed surcharge will be added to these fares, ranging from 25 cents to \$1, depending on ticket cost.

INSURANCE ON TRIPS. In planning for a vacation trip, it is wise to check your home-owner's policy to see how much coverage you have on clothing, jewelry and other personal belongings while traveling. Most policies limit the amount on "unscheduled" personal property to 10 per cent of what you have at home. And there are separate ceilings on some items. Usually, the limit on jewelry and watches is \$500; on letters of credit and securities, \$500; on cash, \$100. Generally, you can increase these traveling coverages by adding a rider to your policy. Ask your insurance agent. And don't forget that the full deductible in your policy applies to losses suffered on trips.

DISASTERS AND FLIMFLAMS. A warning to people in disaster areas: Any place that is declared a federal disaster area after a flood, tornado or other natural calamity becomes a magnet for flimflam artists. Don't be taken in by someone who says he is a government representative and wants to charge you a fee for appraising damage to your home or place of business or for helping you get loans or other aid. Government officials and their representatives do not charge fees. You should also be wary about giving a down payment for repairs to a contractor unless you are absolutely certain the firm is a reputable one.

STORING SNOW TIRES. In storing snow tires for the summer, note these cautions from the Tire Industry Safety Council: If the tires are on rims, be sure to lower the pressure to 10 pounds. Always stack the tires on their sides. Never store them near electrical motors or in sunlight. Both generate ozone, which harms rubber. Mark studded or radial tires so that you will put them back on the same side of the car next winter. If tires are put back on the opposite side, studs may wear loose or radials may give you a harsher ride.

MINIGARDENS. You don't need a big yard to have a vegetable garden. A patio, balcony or even a window sill is enough if you know how. To help, the U.S. Department of Agriculture has a booklet explaining how to plant a "containerized garden." For a copy of "Minigardens for Vegetables," send 35 cents to the Consumer Information Center, Dept. 111E, Pueblo, Colo. 81009.

# Uncle Sam may not be in your will, but he could end up with more than your family.



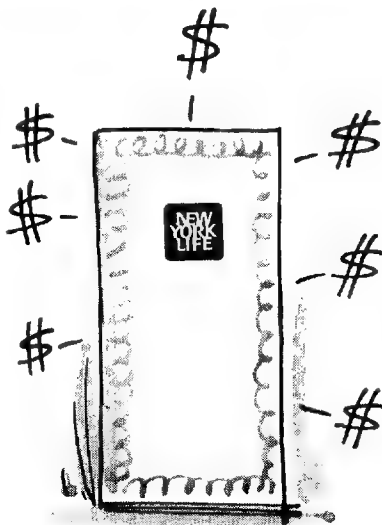
## The problem:

Uncle Sam won't want your home when you die. Or your cars. Or your other property.

But even under the new tax law, he will want cash. And perhaps lots of it—based on the current value of your estate.

The state will want money, too. So will the administrators and others.

And if your family does not have the cash readily available, they may be forced to sell the things you've worked so hard to give them.



## The solution:

There is a simple solution: life insurance.

Life insurance can conserve your estate for your family by providing the necessary cash just when it's needed.

Your estate expenses can, in effect, be stamped "paid in full!"



## The next step:

Your New York Life Agent will be glad to work with you, your lawyer and your accountant to develop a life insurance program to protect your estate. To enable your family to inherit all you own, not just part of it.

Ask him or her, too, about other protection you may need, such as retirement and health insurance plans.



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## TO ARTIST JAMIE WYETH, U.S. "IS MOVING AGAIN"

Jamie Wyeth, 30, one of America's best-known young artists, is the son of painter Andrew Wyeth. A member of the National Endowment for the Arts, he has been featured in important shows for more than a decade. In a conversation with this magazine, he describes an increasingly good life for the American artist.



### Extremism seems to have faded in this country

I'm constantly amazed at how extremism, which was so strong a few years ago, seems to have faded almost to the point of its country now. This is a much happier time than it was in the 1960s because we all seem to be more interested in getting along together again.

I know some of my wildest young liberal friends who were almost outside the bounds of society a few years ago and are working hard in alternative causes, such as seeking amnesty for political prisoners around the world. The main thing is they're working for change within the system, whereas they used to think our society had to be destroyed in order to make a clean start.

Most young people I know are very happy about the way the country is going. It's moving again, and there's a lot of vitality.

### Arts are an ideal instrument for foreign policy

I've taken a few trips abroad recently—to the Soviet Union, for example—and it's fascinating to discover how many foreigners are intrigued about what's going on in American arts. They always over-whelm

you with questions about painting, dance, movies, and so on.

It strikes me that the arts are an ideal instrument for foreign policy if we haven't used much. We've sent nothing overseas on the scale of the Egyptian cartonnages or the huge show the Chinese put on to display here.

I guess it's because there's still so much of an attitude in this country that our arts are the stepchildren of foreign culture, but that's not true any more. We've got a splendid array of artistic endeavors in this country, and we should be showing off all around the world.

### New demands by the public

I've been encouraging to see that Americans are becoming more interested in the arts—art, ballet, and opera. President Carter represents that new spirit. He is surrounded by people, like the musicians I have met, who can talk intelligently about the arts, and really cares about them.

I thought that if the public, you had more and more people who were very sophisticated about the arts and who were demanding high standards from creative artists in this country.

### Dislike dependence on committees

One of my one thing I really dislike is the dependence on committees for decisions. It's endless talk about "institution" and not enough attention to the needs of the individual.

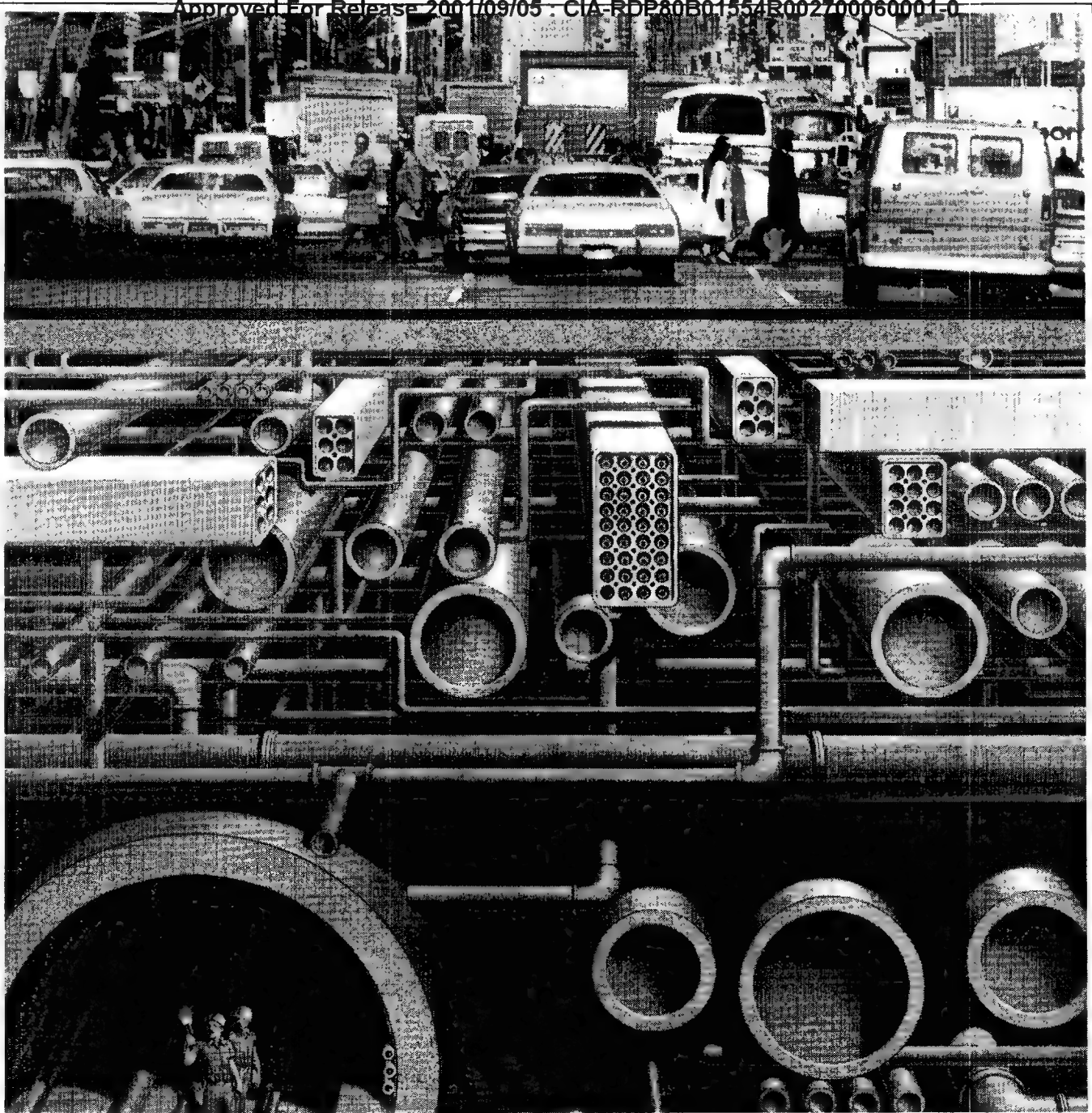
Enough attention to committees doesn't mean really sap the strength of a creative artist. He has to get to him personally, more and more creative people have to ignore this kind of thing.

### It's great to be an artist in America

I know, it's really great to be an artist in America. A lot of people still think of artists as poor people living in garrets—and some of course, still do. It's increasingly true that an artist can make a good living and work in a very creative way at the same time. So long ago, it was only a select few who could do that.



In a rustic studio near Chadds Ford, Pa., Wyeth paints the rural life around him—landscapes, people and animals—in a realistic and sensitive style.



## Some of the worst traffic jams you never see.

If you think city streets are becoming congested, you should see what's happening beneath them.

Communication cables under the streets get busier almost every day. They're carrying more and more telephone calls, computer data, TV signals — electronic traffic of all kinds.

In city after city, it seems the only way to keep up is to tear up the streets, and install more conduits for more cables.

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We could end the congestion below our streets, without tearing them up to do it.

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\$600	\$60.00	\$12.00	\$48.00
\$700	\$70.00	\$14.00	\$56.00
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\$1,000	\$100.00	\$20.00	\$80.00

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# IRAQ: DETERMINED TO UPSET U.S. PLAN FOR MIDEAST PEACE

**The oil-rich and fanatical Iraqis have different goals—not peace, but revolution in every Arab land and an end to Israel. Dennis Mullin of our staff reports on new hazards facing U.S. negotiators.**

## BAGHDAD

Pressures may be growing elsewhere in the Middle East to get Arab-Israeli negotiations under way this year, but Iraq is having none of it.

Nowhere in this capital do you hear talk of finding room for a compromise. Iraqi Army leaders show unyielding determination to remove what they call "the imperialist, Zionist dagger in the heart of the Arab nation."

Moderate Arab governments—in Egypt, Jordan and Syria—are denounced as traitors to the Arab cause.

Iraq gratefully accepts help from the U.S. and Russia—yet criticizes both for their efforts to prod Arabs and Israelis toward the bargaining table in Geneva.

And even if the talks should succeed, Iraq's tough, shrewd strong man, Saddam Husayn, predicts confidently that the accord would quickly founder.

Husayn doesn't just talk about preventing peace; he actually works against it. With his approval, the most desperate of Palestinian terrorist squads are training in Iraq under radical guerrilla leader Abu Nidhal, whose "rejection front" vows total war against Israel and its supporters. Husayn gives his views in the interview on page 96.

**Money to spare.** With revenues from its rich oil fields running about 8 billion dollars a year, Iraq encounters no difficulties financing subversion and turmoil throughout the Middle East. And the nation's leaders seem convinced that time is in their favor.

Says Information Minister Tariq Aziz: "The Arab nation can afford to struggle for many years against the Zionists and still live well."

Beyond the deep—and openly expressed—hatred of Israel, you find here an almost mystical belief by the ruling Ba'ath Party that Iraq is destined to lead a radical socialist revolution that will sweep across the entire Arab world.

The machinery is being put in place, with the Government already calling

itself the "regional command," the name for Ba'athist regimes expected to seize power in every Arab country. A policy-making "national command" is erecting a huge headquarters building in downtown Baghdad, looking forward to the day it expects to serve as the highest Arab governmental body.

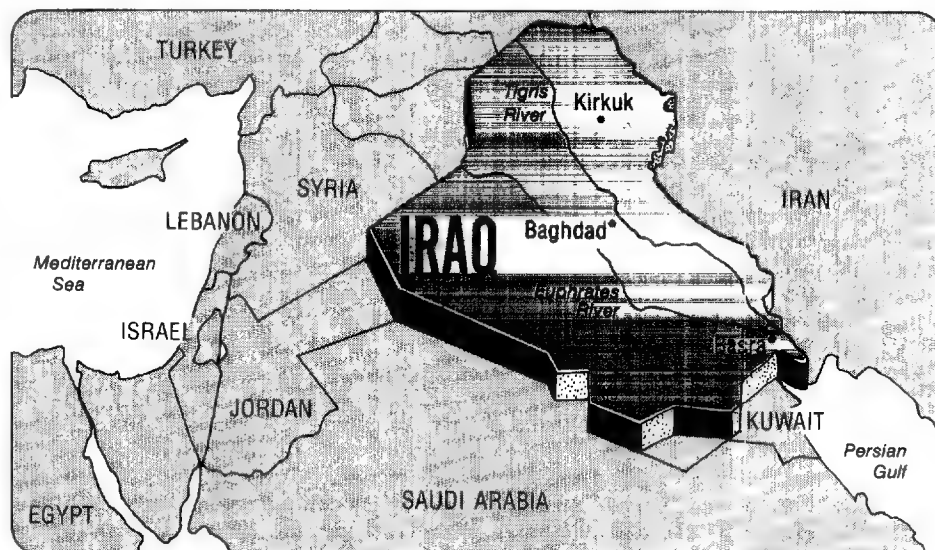
For the moment, however, Iraq's dreams of revolution are more rhetoric than reality. The only other Ba'athist regime is in neighboring Syria and it has long been a rival of the Iraqi wing of the party. And rigid dogma and chip-on-the-shoulder belligerency have resulted in Iraq's becoming increasingly isolated from other Arab nations. At best, relations are polite but aloof.

For example, guests flown here for a recent celebration of the founding of the Ba'ath Party included socialists from Eastern Europe, Africa and the Far East. There were very few Arabs.

Iraq has even become disillusioned with Yassir Arafat and his Palestine Liberation Organization, which Baghdad supported in 1976 during the Lebanese civil war.

"Arafat is nothing without us and he knows it," says one high-ranking official. "We helped him in Lebanon and now he is giving up everything to negotiate with Israel."

Because of this estrangement from the rest of the Arab world, many observers believe Iraq probably will exert com-



## WHAT IRAQ HAS GOING FOR IT

**IRAQ'S PEOPLE:** 11.8 million, about as many as in Pennsylvania, and increasing rapidly. Two thirds live in cities; half of workers are on farms.

**LAND:** 172,000 square miles, roughly the size of Pennsylvania, New York, Ohio and Indiana combined. Nearly half desert.

**MINERALS:** World's seventh-largest oil producer. Also produces sulphur, phosphates, sand for glass.

**GROSS NATIONAL PRODUCT:** 16 billion dollars, or about \$1,400 a person compared with \$8,000 in U.S.

**MAIN INDUSTRIES:** Oil refining, glass, electrical and agricultural equipment, food processing, cigarettes, textiles.

**FARM OUTPUT:** Dates, wheat, barley, rice, cotton, tobacco, wool, most from the Tigris-Euphrates Valley.

**TRADE:** Big export surpluses — 3.9 billion dollars in 1975. Sales, 95 per cent of some three fourths of which goes to Western Europe. Main purchases include food, aircraft, cars, trucks, construction and mining equipment, and are from West Germany, Japan, France, Russia and U.S.

Source: U.S. Dept. of Commerce, Population Reference Bureau



$$1 - \delta = 1.2 \quad \text{for } \delta = 0.2 \quad \text{and} \quad \text{for } \delta = 0.4 \quad \text{and} \quad \text{for } \delta = 0.6 \quad \text{and} \quad \text{for } \delta = 0.8 \quad \text{and} \quad \text{for } \delta = 1.0$$

...and refuses to learn any desire to  
...how much it was, as Israel has  
...largest. The only just Middle East  
...they insist on creation of a secu-  
...ocratic state in Palestine where  
...and Arabs can live together in  
...Translated, this "solution" means  
...independence of Israel

assaulted by the uprising and reportedly assisted with the sentences, the trainman summoned an extraordinary session of the "leftist" Congress. He presided as a "left party veteran" Mustafa—one of the fiercest judges at the trial of the young Revolutionary Guards in the Council.

... Czechoslovakia's ruling regime is internal security, the police net has become extensive, efficient, ruthlessly repressive.

$\frac{1}{2} \times \frac{1}{2} = \frac{1}{4}$

A fact from the history of S. S. camp for women, there is still another reason for the deep mistrust of long-range American intentions. Iraqis have not forgotten that the Central Intelligence Agency years past helped arm Kurdish militant tribesmen for their long and bloody rebellion in Northeastern Iraq.

document, and will never send our sheep

Chappy with the quality of Communist-made goods, Iraq is turning to West in a big way. "We buy the best quality material we can find, and that has just cannot supply," says a official of U.S. trade with Iraq. Exports from the U.S. to Iraq rose from 2.5 million dollars in 1972 to about 400 million in 1976. West Germany and Japan are tops in sales, with imports from Russia slipped to less than 10 per cent of last year's total.

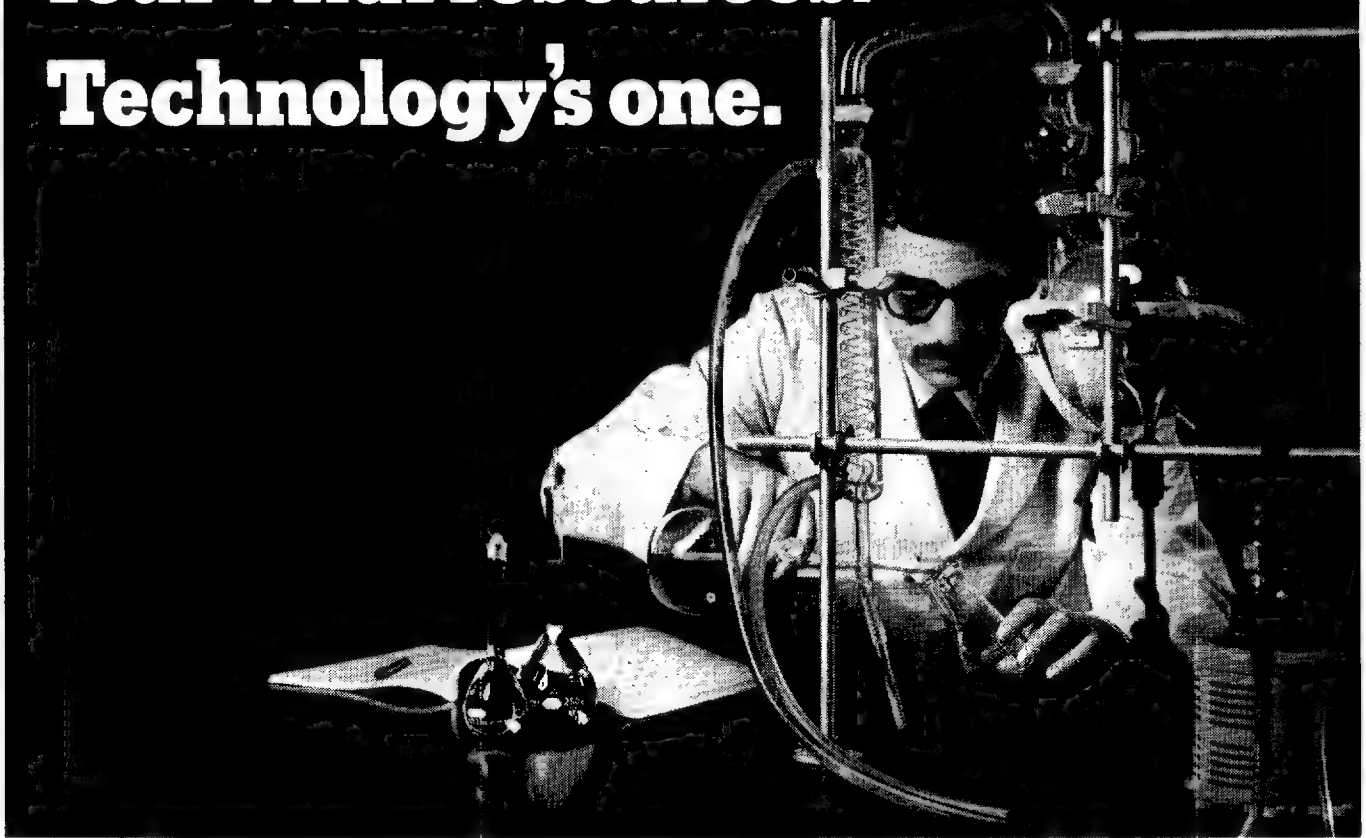
Today an estimated 400 to 500 fishermen, mostly anglers, are out on the water, catching 100 to 200 fish per day.

For American firms fearing a no-compromise embargo, the only cloud on the horizon seems to be Iraqi suspension of the proposed U.N. legislation—still in Congress—that would prohibit Americans from participating in the trade boycott if it is done. Business with Iraq, U.S. diplomats worry that if the ban becomes law, American firms will be denied Iraqi contracts in the future.

Explains Suban: "Sachachin, an American-educated Planning Ministry official, 'We could take the lion's money and buy all your Cadillac's, Playboy clubs, houses in South Carolina, or shares in Krupp, but we won't. When the our rules are, we'll be ready to export food and fuel to the next lion's commodity.'

The Ministry of Petroleum produces earnings from output of 350 million cubic

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cautiously on the development side in order to be able to emerge from the international financial crisis as one of the "Asian Middle Eastern nations"—giving credit to its political ideas even if they sound fanatical now," says one American oil server in Baghdad.

The Iraqis—tough, disciplined and determined to strengthen their nation's revolution—are certain to be a na-

stumbling block to U.S. designs for stability in the Middle East for years to come.

Information Minister Aziz puts the nation's revolutionary goals bluntly: "It may take 20 years but it has to happen and we are not in a hurry."

"We will never abandon the Palestinian cause and we will oppose any settlement with it the means at our disposal."

## Interview With Saddam Husayn, Iraq's Strong Man

5.  $\text{HNO}_3$

\* Mr. Husayn: do you think there will be an Arab-Israeli agreement in 1977?

broader and more comprehensive one with Israel may succeed in the long run in a settlement. But it will be only a partial and short-lived one at that, if the goal is for a just and permanent formula for peace in the region. Hence, approached in the wrong way.

It is not part of our ideology or policy. The Arabs historically never been bigoted or fanatic and never denied the right to their own way of life and religious

It would be fair to question the raised in the search for a solution are the wrong ones, and they will not lead to a solution. The question discussed now is not how, for Jews can only live in Israel peacefully, but rather how Zionism as a political position can be protected and sustained. The question being posed wrongly.

What is the best approach, in your opinion?

What should be asked is how everyone in the region can live in unity and in peace. When viewed this way, it is impossible to find a correct solution for all parties to live together in freedom. I think you will find that, when this is the case, the Arabs will be the first to seek a peaceful solution. But we will never recognize the right of the Israeli State (Zionist State).

Would you oppose a Mideast agreement backed by the U.S. and the Soviet Union?

the following situation: Suppose that the government is considering a proposal to increase the tax on cigarettes from 35¢ to 45¢ per pack. The government's estimate of the deadweight loss of the 35¢ tax is \$10 million, and its estimate of the deadweight loss of the 45¢ tax is \$15 million. The government's estimate of the increase in tax revenue from the 45¢ tax is \$20 million. The government's estimate of the increase in deadweight loss from the 45¢ tax is \$5 million. The government's estimate of the increase in deadweight loss from the 45¢ tax is \$5 million. The government's estimate of the increase in deadweight loss from the 45¢ tax is \$5 million.

It is our only argument from the positive side that we can make better use of it. And we will oppose the proposed United Nations—through all available means.

Do Carter Administration policies bode well for restoration of U.S.-Soviet diplomatic relations?

For the coming year, we will continue to work on the following areas:

- **Research and Development:** We will continue to invest in research and development to improve our products and services.
- **Marketing and Sales:** We will focus on expanding our market reach and increasing our sales volume.
- **Human Resources:** We will continue to attract and retain top talent, and we will invest in employee training and development.
- **Financial Management:** We will continue to monitor our financial performance closely and make adjustments as needed.

and a more "rational" perspective, in it is not the "rational" perspective. What emerges is a more "rational" and favorable view of the world, and a more "rational" view of the world.

How would you describe Iraqi-Soviet relations?



Iraqi leader Saddam Husayn, at right, being interviewed in his office in Baghdad by Dennis Mullin of U.S. News & World Report.

A our relations with the Soviet Union are mutually good and friendly. The Soviets help us in many areas and supply us with arms, but we feel that the need and demand for our own arms, such as tanks and other categories, then we shall see about it. The basic principle in our relations with our state.

**Q** What role do you want Moscow to play in the Mideast?

**A**mong the Soviet Union's large obligations to the rest of the world, and we expect it to play a role as a great international rights. But we do not expect, and I should not expect it, that the Soviet Union should go into a business

Q Are you concerned about growing Soviet influence in Africa?

**A** Any deal that is accepted by the people concerned legitimizes the new. And, as far as Africa is concerned, what has not already by objection from the people involved done for South Africa.

Q. Now, I-2, in his involvement, how did he influence the  
 execution of the strategy, given as to the deployment of  
 Mr. Manning? A. I think is his word, generous, that he put  
 a lot of time and effort into the Union Security Committee, which  
 time by itself, always strengthening the independence of the  
 position. I think everybody—meaning the Soviet Union—would  
 why not, perhaps, in the world would do the same.

### Q What do I superpower rivalry in the Indian Ocean?

A. Vaidyanathan: "The Indian Ocean is a zone of peace, not a theatre of war. Our position on the Arabian Gulf, this view, is clear. We feel the biggest hazard in this region is a superpower foreign military base, regardless of which nation it is. We see the solution in the liberal state-deciding formula through which this problem should be solved. And we hope that the great powers will listen to the common sense of Indian Ocean states."

# FOR RAILROADS, LABOR— SOME CRUCIAL BARGAINING

**Key issue in talks between rail managements and unions: cuts in size of train crews that could save the industry 750 million dollars a year.**

America's railroads are wrestling with this half-billion-dollar question: Can they and the largest rail union agree amicably to cut the size of train crews?

An answer of "Yes" in these negotiations would provide this profit-starved industry with badly needed funds to rebuild tracks and buy new equipment. Or the savings could be used to run more, but shorter, trains on faster and more reliable schedules.

A "No" reply could set off a bargaining-table confrontation when the union meets the railroads late this year to seek wage increases. In either case, the outcome will have broad significance for future railroad-labor bargaining.

**Low-key talks.** The United Transportation Union and two railroads in the Southeast have been talking quietly during the past few months about reducing the standard freight-train crew from four persons to three. This would be done by eliminating a brakeman's job, leaving an engineer, conductor and one brakeman on each crew.

If agreement can be achieved soon on these two railroads, the pattern would be copied quickly by others.

These talks are being conducted separately from this year's round of wage bargaining in the rail industry. But key railroad officials say privately that they will be reluctant to agree to a new wage contract if they are given no relief on the size of train crews.

"We'll go to the mat if we have to," says one rail official well briefed on the crew-size negotiations. "We can't afford to wait another three years."

For both sides, much is at stake. William Dempsey, chief negotiator for the railroads until his recent promotion to the presidency of the Association of American Railroads, says that three instead of four-man crews on all U.S. freight trains would save the industry 750 million dollars a year. That is almost three times as much money as the net profits of all railroads in 1976.

"We wouldn't want to drop the second brakeman on every crew," Dempsey adds. "It's better to have him in



Radio communications may have lessened need for extra brakemen on freight trains.

some situations. I'd guess we could eliminate about 75 per cent of them. So we're talking about savings of half a billion dollars, at a minimum."

As for the United Transportation Union, any reduction in crew sizes would cut into its membership rolls, at least in the short run. The UTU bargains for 175,000 brakemen, conductors and engineers—more than a third of all railroad employees in the U.S. Another union, the Brotherhood of Locomotive Engineers, also represents engineers.

**Significant truce.** A danger for both sides is that angry confrontation over crew sizes, if it comes to that, could poison healthy labor-management relationships which have sprouted in recent years after decades of ill will.

To some observers, however, it is significant that the UTU and the railroads are able to negotiate at all over crew sizes. When the industry last sought to reduce freight-train crews in 1959—from five persons to four, by eliminating firemen—a 13-year battle ensued. National strikes were threatened. Presidents appointed boards to investigate, and Congress ordered binding arbitration at one point. When the dust finally settled in 1972, the firemen were gone from freight trains, by agreement of both labor and management.

Since those bitter years, much has changed. At the national level, railroad and union presidents are meeting regularly on an informal basis to discuss their common concerns about the industry. On many individual railroads, manage-

ment and labor have ended generations of harassment and petty squabbling. The Brotherhood of Locomotive Engineers recently reprinted in its weekly newspaper a speech made by Dempsey. In few other industries do unions quote management at length in their membership publications.

On Capitol Hill, where the rail unions once stood opposed to almost everything that the railroads wanted, there now is unanimity on virtually every issue. "The railroads wouldn't have gotten to first base in Congress without us," says UTU President Al Chesser. "We have done more for the railroads the last four to eight years than they have done for themselves."

What all these developments signal is an awareness on both sides that railroads have little hope of improving their weakened competitive position against other modes of transportation if workers and bosses continue to exhaust themselves fighting each other. As the vice president for operations of one Western railroad puts it: "We now understand the unions' problems, and they understand ours."

One pressing problem, in the eyes of railroad management, is the cost of operating freight trains. Is it really necessary, the railroads are asking, for four persons to be aboard every freight train? Portable radios, now widely used, mean that several crew members are no longer needed to pass along signals to the engineer while switching a long string of cars. Other technological advances also lessen the need for four persons aboard each freight train, rail negotiators claim.

Fred Hardin, the UTU's chief negotiator, says "exploratory discussions" on crew size were begun recently with the Southern and Seaboard Coast Line railroads after these two carriers indicated that they wanted to approach the subject "with the well-being and interest of employees in mind, rather than solely their own economic interests."

Management's challenge in these talks is to offer a package that will appeal to the rank and file of the UTU despite the loss of jobs that is sure to occur. These railroads reportedly are prepared to share a portion of the savings, for a period of years, with the conductors and remaining brakemen. They also are willing to cut the work force by attrition alone.

"Given a chance," vows one management negotiator, "we can make this so



...members will do their part," says Chesser. "When compared with all the reforms needed in work rules and pay, an out-

**Other problems.** Crew sizes are not the only cause of the high costs of running a railroad. Under current labor agreements, over-the-road crews cannot switch cars in terminals, and yard crews

impact of smaller crews and less work hours on the Florida East Coast's bottom line. By reducing the number of operating trains, the FEC is capable to increase the number of trains per direction from three to four daily. As noted in the box on this page, it's faster, more dependable and more predictable than before.

**MIAMI** — Second-restaurant employees here at the end of a 10-hour shift last night. Before the strike, we got as many cars as we could on 11 a.m.

For freight work, it was exactly on the same principle seen in occurrence for freight trains on most railroads.

There were a brakeman and a conductor—just an engineer and conductor in the locomotive. Each was qualified to perform the other's job if necessary.

The same two men stayed aboard all the way to Miami. And when they got there, they still were not through. The cars, all containing highway truck trailers, were immediately positioned for unloading—a task reserved for separate yard crews on other railroads.

Ad in all, these two railroaders did less work that would have required for example, recently completed ti run of one freight train whose reul kind of rail-roading doesn't bother m It's a way to make a living

40 WORK THAT ACCOUNTANTS REQUIRE TO RUN ONE TRUCK LOAD WORK TOGETHER IN A WAY TO MAKE SAVING

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## TRENDS IN LABOR

► **Wage gains fall—and rise.** The average first-year wage increase negotiated in the first three months of 1977 was 7.6 per cent, or somewhat less than the 8.4 per cent for the same period of 1976, the Labor Department reported. But most labor agreements are for three-year periods, and the average wage hike for the life of contracts bargained in the first quarter of 1977 was 6.5 per cent each year. The comparable figure in 1976 was 6.4 per cent. These figures do not take into account other raises that result from increases in cost of living.

► **Not too old to fly.** A federal court of appeals in Kansas City ruled that McDonnell Douglas Corporation violated the Age Discrimination in Employment Act when it fired its 52-year-old chief production test pilot. The pilot had been taken out of flying status six years ago. The court decided the discharge was not based on a "bona fide occupational qualification" and ordered the pilot reinstated with back pay and damages if he is found to be in good physical condition.

► **Promotion rejected.** A manufacturing company in Maryland told a unionized employee that he would be temporarily reassigned to a supervisory position, and threatened to fire him when he refused the promotion. Arbitrator Ogden Fields ruled that the man was entitled to reject the promotion and retain his present job. Fields said that a clause in the labor agreement, allowing the firm to "select" workers within the bargaining unit for temporary reassignment in a management role, did not imply that the workers could be compelled to accept the change.

► **Lawyers and NLRB.** Reversing a 1973 decision, the National Labor Relations Board has asserted jurisdiction over labor disputes in law firms. Previously, law offices and their employees had been declared exempt, on the grounds that they did not have sufficient impact on interstate commerce.

## NEWS-LINES

### WHAT YOU CAN AND CANNOT DO IF YOU RUN A BUSINESS

*as a result of recent court and government decisions*

■ **REAL-ESTATE BROKERS** and home-owners cannot be prohibited by an ordinance from posting "for sale" or "sold" signs in front of houses in an effort to prevent "white flight" from a racially integrated neighborhood. The Supreme Court rules that such a ban violates the First Amendment's free-speech guarantee. The Court said that a town cannot deprive residents of information that "may bear on one of the most important decisions they have a right to make: where to live and raise their families."

■ **EXECUTIVE PERQUISITES** including personal use of company planes, autos and condominiums, are coming under the eye of the Government. A Securities and Exchange Commission official has announced that the agency will bring a number of cases charging firms with violations of securities laws for failing to tell shareholders that executives are drawing "perquisite compensation" on top of salaries.

■ **FIRING WORKERS** for sleeping on the job can be unlawful. One firm discharged a known union activist, ostensibly for sleeping at work. The National Labor Relations Board, however, found that the company had fired the employee without an investigation, knowing that its physician had given the worker a painkiller. The Board held that the firing was actually motivated by the worker's union activity and, thus, was illegal.

■ **SERVICE STATIONS** hit with higher rents will get more leeway to raise gasoline prices if a proposal of the Federal Energy Administration is adopted. The agency wants to change its rules to permit retail gasoline dealers to pass through increased service-station rents without regard to the maximum markup of 3 cents a gallon allowed

to reflect higher rents, wages or other nonproduct costs. Deadline is June 20 for sending comments to: FEA, Box ME, 2000 M Street, N.W., Washington, D.C. 20461.

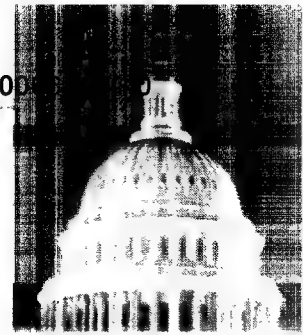
■ **SEX DISCRIMINATION** in employment results when an employer insists that a married woman use her husband's last name on personnel forms and then suspends her for refusing to comply. That is a ruling of a U.S. court of appeals. The court held that such a name-change policy amounts to illegal sex discrimination under the 1964 Civil Rights Act.

■ **PENSION PLANS** will lose tax benefits if they do not cover essentially all full-time employees, as two professional corporations have been reminded. The corporations hired office workers, determined their salaries and controlled their work. Another company kept the workers' personnel records and issued their paychecks. The Tax Court held that the workers were employees of the two professional firms and disqualified the pension plans because the workers had been excluded.

■ **IT IS ILLEGAL** for an employer to fire a union representative for trying to assist and represent fellow employees at a disciplinary interview. The National Labor Relations Board so rules, finding that such conduct by one firm constituted an unfair labor practice.

■ **EMERGENCY MEASURES** have been taken by the Government to reduce workers' exposure to benzene. The Labor Department issued temporary emergency standards effective May 21, calling for a number of protective measures, including sharp reduction in exposure to the chemical, which is believed to cause leukemia. Benzene is used in the rubber, detergent, pesticide and varnish industries.

*Conclusions expressed are based on decisions of courts, government agencies and Congress. For reasons of space, these decisions cannot be set forth in detail. On written request, U.S. News & World Report will refer readers to the basic material.*



## AN UNWORTHY IDEA

BY MARVIN STONE

**C**ongress again is tempted to tinker with the Constitution and, unless we misread the signs, will vote this session to scrap the Electoral College in favor of direct popular election of the President.

Let us turn it all, why bother with it? People are not so stupid as to see the present method as undemocratic, ineffectual and dangerous. After all, it enables States to award *all* their electoral votes to the candidate with a mere plurality of the popular vote. This, obviously, opens the way for an Electoral College victory going to a popular loser. In fact, in 1888 Harrison was thus elected President although he lost the popular vote to Cleveland.

A direct election amendment does indeed make it through Congress. It will be left to direct fourth of the States to ratify it. This, says Schlesinger of Charles Black, would be "the most nearly critical amendment which has ever entered the Constitution." He, and, for he alone, however, could destroy the two-party system.

What we with Professor Black, as well as his late colleague, Alexander Dicker, who wrote "There are great virtues in a conservative attitude towards structural features of Government. The sudden abandonment of institutions is calamitous and reverberates in ways no one can predict and many come to regret."

**T**he present process has served us well for 188 years. There are reasons for it to be the way it is. The founders at the Constitutional Convention wanted to give the small States a little extra weight. It was the only way to lure the less populous States into the Union.

Each State is enjoined, in the Constitution, to choose a group of electors, equal in number to its congressional delegation, to make the State's choice or choices for President. Custom dictates that the electors certify the candidates chosen at the polls.

Let us not, however, be led by Senator Birch Bayh, and supported by President Carter, are coming to gain the way with the slogan "one

person, one vote." On close examination, however, the Bayh plan shows itself open to question on both fairness and workability.

\* Bayh would take away the small States' oversized electoral influence, since the popular vote would simply be reported candidly by each State. More than half the States would thus lose influence while the rest would add to their already dominant power. It has been calculated that, in the extreme, two States could elect a President who lacked a majority in any other part of the country.

\* The Bayh plan would destroy a political structure hard to replace. Under the party system, as some established that a State electoral vote—except for those of an occasional "faithless elector"—will go as a unit to the popular winner in that State. That is because the major parties offer states of electoral vote in their entirety. Direct voting, on the other hand, offers an invitation to a multitude of minor, fringe parties.

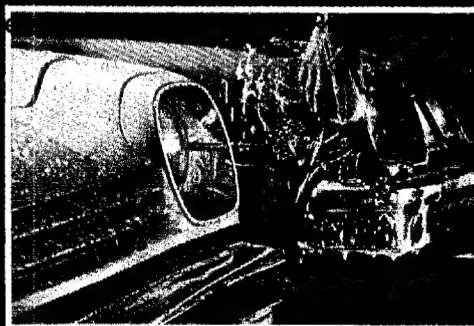
\* Bayh sets a 40 per cent plurality as minimum for a winner. Does that establish more of a majority position than an 80 per cent of the electoral vote? No, and once again it offers a road way to splinter parties.

\* Bayh proposes a runoff when no candidate polls as much as 40 per cent. The spectacle of a runoff election, exhausted by months of primary campaigns and a pending national election, and now a runoff, is pitiable. And, once more, the prospect of a runoff encourages splinter parties.

\* Division fostered by the Bayh mode of election establishment can spread to congressional campaigns where a surplus of parties can produce paralyzing results like those that paralyzed France and Italy after World War II.

**S**ome readers might advocate because of such passages, but the Bayh plan is not one of them. Congress does not have the sense to recognize that it is devoutly to be wished that the States do when their turn comes.

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